

# PERA Executive Summary

December 2014

Market Values, Asset Allocation & Performance Data:

TABLE I: Fund Market Values (in millions \$)		
Asset Class	12/31/2014	Prev. Month's Chg
<b>Total Equities</b>	<b>7,133</b>	<b>-379</b>
Domestic Equity	3,963	-268
International Equity	3,170	-111
<b>Total Fixed Income</b>	<b>4,226</b>	<b>87</b>
Core Fixed Income	3,816	-11
Fixed Income Plus	410	98
<b>Total Alternatives</b>	<b>2,686</b>	<b>51</b>
Absolute Return	1,107	0
Private Equity	659	29
Real Estate	472	7
Real Assets	448	14
<b>STIF/STO/ Overlay Cash Balances</b>	<b>405</b>	<b>79</b>
<b>TOTAL FUNDS</b>	<b>14,450</b>	<b>-162</b>

TABLE II: Fund Asset Allocation Comparison						
Asset Class	Actual	Target	Variance	Ranges	\$ in Millions	Inclusive of Overlay
<b>Total Equities</b>	<b>49.4%</b>	<b>45.9%</b>	<b>3.5%</b>	-	<b>500.4</b>	<b>736.2</b>
Domestic Equity	27.4%	21.1%	6.3%	16.1 - 26.1%	913.9	1,020.0
International Equity	21.9%	24.8%	-2.9%	19.8 - 29.8%	-413.5	-283.8
<b>Total Fixed Income</b>	<b>29.2%</b>	<b>31.1%</b>	<b>-1.9%</b>	-	<b>-268.1</b>	<b>-159.1</b>
Core Fixed Income	26.4%	26.1%	0.3%	23.1 - 29.1%	44.4	153.4
Fixed Income Plus	2.8%	5.0%	-2.2%	3 - 7%	-312.5	-312.5
<b>Total Alternatives</b>	<b>18.6%</b>	<b>23.0%</b>	<b>-4.4%</b>	-	<b>-637.2</b>	<b>-637.2</b>
Absolute Return	7.7%	4.0%	3.7%	2 - 6%	529.4	529.4
Private Equity	4.6%	7.0%	-2.4%	5 - 9%	-352.4	-352.4
Real Estate	3.3%	5.0%	-1.7%	3 - 7%	-250.4	-250.4
Real Assets	3.1%	7.0%	-3.9%	5 - 9%	-563.8	-563.8
<b>STIF/STO/ Overlay Cash Balances</b>	<b>2.8%</b>	<b>0.0%</b>	<b>2.8%</b>	-	<b>405.0</b>	<b>60.1</b>

TABLE III: PERA Performance for Month and Fiscal Year to Date (in percent %)					
	12/31/2014	Fiscal YTD	1 Year	3 Year	
<b>TOTAL FUND</b>	<b>-0.85%</b>	<b>0.11%</b>	<b>5.76%</b>	<b>11.87%</b>	
Policy Index	-1.30%	-0.48%	5.32%	10.48%	
<i>Value Added</i>	<i>0.45%</i>	<i>0.59%</i>	<i>0.44%</i>	<i>1.39%</i>	
<b>Total Domestic Equity</b>	<b>0.14%</b>	<b>4.03%</b>	<b>9.91%</b>	<b>21.45%</b>	
Russell 3000 Index	0.00%	5.25%	12.55%	20.51%	
<i>Value Added</i>	<i>0.14%</i>	<i>-1.22%</i>	<i>-2.64%</i>	<i>0.94%</i>	
<b>International Equity</b>	<b>-3.46%</b>	<b>-8.54%</b>	<b>-3.09%</b>	<b>9.74%</b>	
MSCI ACWI ex-US Index	-3.27%	-9.01%	-3.47%	9.66%	
<i>Value Added</i>	<i>-0.19%</i>	<i>0.47%</i>	<i>0.38%</i>	<i>0.08%</i>	
<b>Fixed Income Plus</b>	<b>-1.52%</b>	<b>-5.41%</b>	<b>N/A</b>	<b>N/A</b>	
Policy Index	-9.52%	-7.68%	N/A	NA	
<i>Value Added</i>	<i>8.00%</i>	<i>2.27%</i>	<i>N/A</i>	<i>N/A</i>	
<b>Core Fixed Income</b>	<b>-0.33%</b>	<b>1.12%</b>	<b>5.29%</b>	<b>4.60%</b>	
85/15 Barclays Index	-0.04%	1.00%	5.13%	2.48%	
<i>Value Added</i>	<i>-0.29%</i>	<i>0.12%</i>	<i>0.16%</i>	<i>2.12%</i>	
<b>Alternative Assets</b>	<b>0.17%</b>	<b>4.52%</b>	<b>12.99%</b>	<b>11.36%</b>	
Policy Index	0.34%	3.45%	10.70%	11.53%	
<i>Value Added</i>	<i>-0.17%</i>	<i>1.07%</i>	<i>2.29%</i>	<i>-0.17%</i>	
<b>Cash (STIF)</b>	<b>0.14%</b>	<b>0.63%</b>	<b>0.83%</b>	<b>2.85%</b>	

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## Market Values, Asset Allocation & Performance:

### Market Value & Asset Allocation:

The Total Fund market value decreased by \$162 million in December and finished the month at \$14.4 billion. The PERA Board updated the strategic asset allocation in 2014. PERA's new 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 overweight by 6.3% and the Non-US Equity allocations are underweight by 2.9%. Core Fixed Income is within policy range at 0.3% variance and Fixed Income Plus is underweight by 2.2%. The Real Assets and Private Equity portfolios are underweight 3.9% and 2.4%, respectively. Absolute Return is overweight by 3.7% and Real Estate is underweight by 1.7%. 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 STIF account to the PERA STO account for beneficiary payments and operating expenses. For the fiscal year, PERA has transferred \$235 million to the PERA fund, \$2 million to the Magistrates account, with no transfers being made to the Judicial account or the Volunteer Fire Fighter account. Private partnerships called \$69 million and distributed \$33 million during the month. Last fiscal year, capital calls averaged \$20 million per month and totaled \$239 million.

### Fund Returns & Performance:

The Total Fund returned -0.85%, net of fees, for the month with the Russell 3000 Index returning 0.00% and the MSCI ACWI ex-US IMI Index returning -3.27%; PERA's custom Core Fixed Income benchmark returned -0.04% and the custom benchmark for Fixed Income Plus returned -9.52%. The Fund has returned 0.11% for the fiscal year and 11.87% for the 3-year, which is better than the 7.75% target rate of return.

### Watch List Update:

None of PERA's active Domestic Equity or International Equity managers are on the Watch List. One Fixed Income manager, Pimco, is on the Watch List. PERA is on the process of transitioning assets from PIMCO to other managers on the core fixed income portfolio. Three of PERA's alternative investments are also on Cliffwater's Watch List.