

PERA Executive Summary

December 2015

Market Values, Asset Allocation & Performance Data:

TABLE I: Fund Market Values (in millions \$)		
Asset Class	12/31/2015	Prev. Month's Chg
Total Equities	6,651	-152
Domestic Equity	3,288	-98
International Equity	3,364	-54
Total Fixed Income	4,528	-20
Core Fixed Income	3,823	-11
Fixed Income Plus	705	-9
Total Alternatives	2,383	24
Absolute Return	715	2
Private Equity	711	14
Real Estate	522	7
Real Assets	436	2
STIF/STO/ Overlay Cash Balances	302	-30
TOTAL FUNDS	13,865	-178

TABLE II: Fund Asset Allocation Comparison							
Asset Class	Actual	Target	Variance	Actual with Overlay	Ranges	\$ in Millions	Inclusive of Overlay
Total Equities	48.0%	45.9%	2.1%	48.9%	-	287.3	411.4
Domestic Equity	23.7%	21.1%	2.6%	22.5%	16.1 - 26.1%	362.0	194.3
International Equity	24.3%	24.8%	-0.5%	26.4%	19.8 - 29.8%	-74.8	217.1
Total Fixed Income	32.7%	31.1%	1.6%	33.5%	-	215.8	332.9
Core Fixed Income	27.6%	26.1%	1.5%	28.4%	23.1 - 29.1%	203.8	321.0
Fixed Income Plus	5.1%	5.0%	0.1%	5.1%	3 - 7%	11.9	11.9
Total Alternatives	17.2%	23.0%	-5.8%	17.2%	-	-805.5	-805.5
Absolute Return	5.2%	4.0%	1.2%	5.2%	2 - 6%	160.5	160.5
Private Equity	5.1%	7.0%	-1.9%	5.1%	5 - 9%	-259.4	-259.4
Real Estate	3.8%	5.0%	-1.2%	3.8%	3 - 7%	-171.7	-171.7
Real Assets	3.1%	7.0%	-3.9%	3.1%	5 - 9%	-534.9	-534.9
STIF/STO/ Overlay Cash Balances	2.2%	0.0%	2.2%	0.4%	-	302.5	61.2

TABLE III: PERA Performance for Month and Fiscal Year to Date (in percent %)				
	12/31/2015	Fiscal YTD	1 Year	3 Year
TOTAL FUND	-1.05%	-2.75%	-1.08%	6.78%
Policy Index	-1.18%	-2.26%	0.32%	6.51%
<i>Value Added</i>	0.13%	-0.49%	-1.40%	0.27%
Total Domestic Equity	-2.26%	-1.79%	0.39%	14.95%
Russell 3000 Index	-2.05%	-1.43%	0.48%	14.74%
<i>Value Added</i>	-0.21%	-0.36%	-0.09%	0.21%
International Equity	-1.48%	-8.59%	-4.47%	2.41%
MSCI ACWI ex-US Index	-1.61%	-8.78%	-4.60%	2.02%
<i>Value Added</i>	0.13%	0.19%	0.13%	0.39%
Fixed Income Plus	-1.22%	-3.49%	-3.45%	N/A
Policy Index	-3.30%	-6.08%	-0.94%	N/A
<i>Value Added</i>	2.08%	2.59%	-2.51%	N/A
Core Fixed Income	-0.33%	0.82%	0.68%	1.80%
85/15 Barclays Index	-0.32%	0.77%	0.62%	1.46%
<i>Value Added</i>	-0.01%	0.05%	0.06%	0.34%
Alternative Assets	0.16%	-0.99%	0.66%	8.23%
Policy Index	-0.46%	1.28%	6.79%	9.01%
<i>Value Added</i>	0.62%	-2.27%	-6.13%	-0.78%
Cash (STIF)	0.01%	0.13%	0.93%	2.20%

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Market Value & Asset Allocation:

The Total Fund market value decreased by \$178 million in November 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 2.6% 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 1.5% variance as well as Fixed Income Plus, which is overweight by 0.1%. The Real Assets and Private Equity portfolios are underweight 3.9% and 1.9%, respectively. Absolute Return is overweight by 1.2% and Real Estate is underweight by 1.2%. 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 \$260 million to the PERA fund, \$1.1 million to the Magistrates account, \$1.8 million to the Judicial account and \$183 thousand to the Volunteer Fire Fighter account. Private partnerships called \$49 million and distributed \$38 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 -1.05%, net of fees, for the month with the Russell 3000 Index returning -2.05% and the MSCI ACWI ex-US IMI Index returning -1.61%; PERA's custom Core Fixed Income benchmark returned -0.32% and the custom benchmark for Fixed Income Plus returned -3.30%. The Fund has returned -2.75% for the fiscal year and 6.78% 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.