

PERA Executive Summary

February 2015

Market Values, Asset Allocation & Performance Data:

TABLE I: Fund Market Values (in millions \$)		
Asset Class	2/28/2015	Prev. Month's Chg
Total Equities	6,760	68
Domestic Equity	3,413	-97
International Equity	3,347	165
Total Fixed Income	4,516	114
Core Fixed Income	3,881	-8
Fixed Income Plus	635	122
Total Alternatives	2,679	-4
Absolute Return	1,126	15
Private Equity	658	2
Real Estate	465	-15
Real Assets	430	-7
STIF/STO/ Overlay Cash Balances	807	203
TOTAL FUNDS	14,762	381

TABLE II: Fund Asset Allocation Comparison						
Asset Class	Actual	Target	Variance	Ranges	\$ in Millions	Inclusive of Overlay
Total Equities	45.8%	45.9%	-0.1%	-	-15.6	465.8
Domestic Equity	23.1%	21.1%	2.0%	16.1 - 26.1%	298.4	516.5
International Equity	22.7%	24.8%	-2.1%	19.8 - 29.8%	-314.0	-50.8
Total Fixed Income	30.6%	31.1%	-0.5%	-	-75.4	173.5
Core Fixed Income	26.3%	26.1%	0.2%	23.1 - 29.1%	28.1	277.0
Fixed Income Plus	4.3%	5.0%	-0.7%	3 - 7%	-103.5	-103.5
Total Alternatives	18.1%	23.0%	-4.9%	-	-716.2	-716.2
Absolute Return	7.6%	4.0%	3.6%	2 - 6%	536.0	536.0
Private Equity	4.5%	7.0%	-2.5%	5 - 9%	-375.3	-375.3
Real Estate	3.1%	5.0%	-1.9%	3 - 7%	-273.4	-273.4
Real Assets	2.9%	7.0%	-4.1%	5 - 9%	-603.5	-603.5
STIF/STO/ Overlay Cash Balances	5.5%	0.0%	5.5%	-	807.2	77.0

TABLE III: PERA Performance for Month and Fiscal Year to Date (in percent %)				
	2/28/2015	Fiscal YTD	1 Year	3 Year
TOTAL FUND	2.78%	2.66%	6.85%	10.21%
Policy Index	2.78%	2.30%	6.60%	9.04%
<i>Value Added</i>	0.00%	0.36%	0.25%	1.17%
Total Domestic Equity	6.27%	7.28%	11.82%	18.81%
Russell 3000 Index	5.79%	8.25%	14.12%	18.02%
<i>Value Added</i>	0.48%	-0.97%	-2.30%	0.79%
International Equity	5.20%	-3.43%	1.84%	7.37%
MSCI ACWI ex-US Index	5.36%	-4.30%	0.85%	7.11%
<i>Value Added</i>	-0.16%	0.87%	0.99%	0.26%
Fixed Income Plus	1.37%	-4.90%	N/A	N/A
Policy Index	0.26%	-3.78%	N/A	N/A
<i>Value Added</i>	1.11%	-1.12%	N/A	N/A
Core Fixed Income	-0.21%	2.85%	5.28%	4.22%
85/15 Barclays Index	-0.90%	1.85%	3.85%	2.22%
<i>Value Added</i>	0.69%	1.00%	1.43%	2.00%
Alternative Assets	0.90%	5.32%	10.34%	10.39%
Policy Index	1.60%	5.74%	10.83%	11.24%
<i>Value Added</i>	-0.70%	-0.42%	-0.49%	-0.85%
Cash (STIF)	0.11%	0.76%	0.83%	2.60%

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Market Value & Asset Allocation:

The Total Fund market value increased by \$381 million in February and finished the month at \$14.8 billion, a new high for the PERA Fund. 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 2.0% and the Non-US Equity allocations are underweight by 2.1%. Core Fixed Income is within policy range at 0.2% variance and Fixed Income Plus is underweight by 0.7%. The Real Assets and Private Equity portfolios are underweight 4.1% and 2.5%, respectively. Absolute Return is overweight by 3.6% and Real Estate is underweight by 1.9%. 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 \$36 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 \$310 million to the PERA fund, \$2 million to the Magistrates account, \$3 million to the Judicial account and \$1 million to the Volunteer Fire Fighter account. Private partnerships called \$16 million and distributed \$45 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 2.78%, net of fees, for the month with the Russell 3000 Index returning a 5.79% and the MSCI ACWI ex-US IMI Index returning 5.36%; PERA's custom Core Fixed Income benchmark returned -0.90% and the custom benchmark for Fixed Income Plus returned 0.26%. The Fund has returned 2.66% for the fiscal year and 10.21% 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, International Equity, or Fixed Incomes managers are on the Watch List. Four of PERA's alternative investments are also on Cliffwater's Watch List.