

PERA Executive Summary

June 2016

Market Values, Asset Allocation & Performance Data:

TABLE I: Fund Market Values (in millions \$)		
Asset Class	6/30/2016	Prev. Month's Chg
Global Equity	7,582	-32
Risk Reduction & Mitigation	4,086	16
Credit Oriented Fixed Income	1,100	14
Real Assets	1,206	36
STO Cash Balances	108	56
TOTAL FUNDS	14,082	90

TABLE II: Fund Asset Allocation Comparison							
Asset Class	Actual	Target	Variance	Actual with Overlay	Ranges	\$ in Millions	Inclusive of Overlay
Global Equity	53.8%	43.5%	10.3%	55.6%	38.5 - 48.5%	1,455.7	1,699.0
Risk Reduction & Mitigation	29.0%	21.5%	7.5%	29.2%	18.5 - 24.5%	1,058.3	1,088.8
Credit Oriented Fixed Income	7.8%	15.0%	-7.2%	7.8%	11.0 - 19.0%	-1,012.2	-1,012.2
Real Assets	8.6%	20.0%	-11.4%	8.6%	16.0 - 24.0%	-1,610.2	-1,610.2
STO Cash Balances	0.8%	0.00%	0.8%	0.0%	0.00%	108.5	0.0

TABLE III: PERA Performance for Month and Fiscal Year to Date (in percent %)				
	6/30/2016	Fiscal YTD	1 Year	3 Year
TOTAL FUND	0.51%	0.48%	0.48%	6.25%
Policy Index	<u>1.63%</u>	<u>1.98%</u>	<u>1.98%</u>	<u>6.62%</u>
<u>Value Added</u>	<u>-1.12%</u>	<u>-1.50%</u>	<u>-1.50%</u>	<u>-0.37%</u>
Global Equity	-0.34%	-2.35%	-2.35%	N/A
Policy Index	1.47%	-0.75%	-0.75%	N/A
<u>Value Added</u>	<u>-1.81%</u>	<u>-1.60%</u>	<u>-1.60%</u>	<u>N/A</u>
Risk Reduction & Mitigation	1.76%	6.81%	6.81%	N/A
Policy Index	1.77%	6.05%	6.05%	N/A
<u>Value Added</u>	<u>-0.01%</u>	<u>0.76%</u>	<u>0.76%</u>	<u>N/A</u>
Credit Oriented Fixed Income	0.39%	1.63%	1.63%	N/A
Policy Index	3.06%	2.97%	2.97%	N/A
<u>Value Added</u>	<u>-2.67%</u>	<u>-1.34%</u>	<u>-1.34%</u>	<u>N/A</u>
Real Assets	1.76%	-1.47%	-1.47%	N/A
Policy Index	0.74%	-3.15%	-3.15%	N/A
<u>Value Added</u>	<u>1.02%</u>	<u>1.68%</u>	<u>1.68%</u>	<u>N/A</u>
Cash (BNYM)	0.16%	0.34%	0.34%	1.30%

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Market Value & Asset Allocation:

The Total Fund market value increased by \$90 million in June and finished the month at \$14.1 billion. The PERA Board updated the strategic asset allocation (SAA) in April 2016. PERA's SAA is 43.5% Global Equity, 21.5% Risk Reduction and Mitigation, 15.0% Credit Oriented Fixed Income, and 20% Real Assets. Based on current market values, excluding the cash overlay, Global Equity is 10.3% overweight and Risk Reduction and Mitigation is overweight by 7.5%, which are both outside of the policy range. Credit Oriented Fixed Income is 7.2% underweight and Real Assets is underweight by 11.4%, which are both outside of policy range. The Board and Staff are working on an implementation plan for the new SAA. Per section IV. A., Strategic Asset Allocation Targets, of the Investment Policy, "The Board recognizes that the long-term target allocation may take an extended period to implement."

Asset Transfers:

PERA transferred \$37 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 \$489 million to the PERA fund, \$2.3 million to the Magistrates account, \$4.3 million to the Judicial account and \$1.5 million to the Volunteer Fire Fighter account. Private partnerships called \$50 million and distributed \$25 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 0.51%, net of fees, for the month. The Global Equity custom benchmark returned 1.63%, the Risk Reduction and Mitigation benchmark returned 1.77%, the Credit Oriented Fixed Income benchmark returned 3.06%, and the Real Assets benchmark returned 0.74%. The Fund has returned 0.48% for the fiscal year and 6.25% for the 3-year period.

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.