

PERA Executive Summary

January 2014

Market Values, Asset Allocation & Performance Data:

TABLE I: Fund Market Values (in millions \$)		
Asset Class	1/31/2015	Prev. Month's Chg
Total Equities	6,692	-441
Domestic Equity	3,510	-453
International Equity	3,182	12
Total Fixed Income	4,402	176
Core Fixed Income	3,889	74
Fixed Income Plus	512	102
Total Alternatives	2,683	-3
Absolute Return	1,111	4
Private Equity	656	-3
Real Estate	480	7
Real Assets	437	-11
STIF/STO/ Overlay Cash Balances	604	199
TOTAL FUNDS	14,381	-69

TABLE II: Fund Asset Allocation Comparison						
Asset Class	Actual	Target	Variance	Ranges	\$ in Millions	Inclusive of Overlay
Total Equities	46.5%	45.9%	0.6%	-	91.1	456.2
Domestic Equity	24.4%	21.1%	3.3%	16.1 - 26.1%	475.9	643.4
International Equity	22.1%	24.8%	-2.7%	19.8 - 29.8%	-384.8	-187.3
Total Fixed Income	30.6%	31.1%	-0.5%	-	-70.7	113.6
Core Fixed Income	27.0%	26.1%	0.9%	23.1 - 29.1%	136.0	320.3
Fixed Income Plus	3.6%	5.0%	-1.4%	3 - 7%	-206.7	-206.7
Total Alternatives	18.7%	23.0%	-4.3%	-	-624.4	-624.4
Absolute Return	7.7%	4.0%	3.7%	2 - 6%	536.0	536.0
Private Equity	4.6%	7.0%	-2.4%	5 - 9%	-350.9	-350.9
Real Estate	3.3%	5.0%	-1.7%	3 - 7%	-239.5	-239.5
Real Assets	3.0%	7.0%	-4.0%	5 - 9%	-570.0	-570.0
STIF/STO/ Overlay Cash Balances	4.2%	0.0%	4.2%	-	603.9	54.6

TABLE III: PERA Performance for Month and Fiscal Year to Date (in percent %)				
	1/31/2015	Fiscal YTD	1 Year	3 Year
TOTAL FUND	-0.23%	-0.12%	7.61%	10.31%
Policy Index	-0.09%	-0.42%	6.94%	9.11%
<i>Value Added</i>	<i>-0.14%</i>	<i>0.30%</i>	<i>0.67%</i>	<i>1.20%</i>
Total Domestic Equity	-2.97%	0.95%	10.31%	18.11%
Russell 3000 Index	-2.78%	2.32%	12.99%	17.44%
<i>Value Added</i>	<i>-0.19%</i>	<i>-1.37%</i>	<i>-2.68%</i>	<i>0.67%</i>
International Equity	0.36%	-8.20%	1.77%	7.50%
MSCI ACWI ex-US Index	-0.16%	-9.16%	0.60%	7.22%
<i>Value Added</i>	<i>0.52%</i>	<i>0.96%</i>	<i>1.17%</i>	<i>0.28%</i>
Fixed Income Plus	-0.82%	-6.19%	N/A	N/A
Policy Index	4.51%	-4.03%	N/A	NA
<i>Value Added</i>	<i>-5.33%</i>	<i>-2.16%</i>	<i>N/A</i>	<i>N/A</i>
Core Fixed Income	1.93%	3.07%	6.55%	4.58%
85/15 Barclays Index	1.75%	2.77%	5.49%	2.50%
<i>Value Added</i>	<i>0.18%</i>	<i>0.30%</i>	<i>1.06%</i>	<i>2.08%</i>
Alternative Assets	-0.11%	4.38%	12.47%	10.56%
Policy Index	0.22%	4.13%	11.12%	11.26%
<i>Value Added</i>	<i>-0.33%</i>	<i>0.25%</i>	<i>1.35%</i>	<i>-0.70%</i>
Cash (STIF)	0.01%	0.64%	0.72%	2.64%

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Market Value & Asset Allocation:

The Total Fund market value decreased by \$69 million in January 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 3.3% and the Non-US Equity allocations are underweight by 2.7%. Core Fixed Income is within policy range at 0.9% variance and Fixed Income Plus is underweight by 1.4%. The Real Assets and Private Equity portfolios are underweight 4.0% 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 \$43 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 \$275 million to the PERA fund, \$2 million to the Magistrates account and \$3million to the Judicial account with no transfers being made to the Volunteer Fire Fighter account. Private partnerships called \$14 million and distributed \$14 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 -0.23%, net of fees, for the month with the Russell 3000 Index returning a -2.78% and the MSCI ACWI ex-US IMI Index returning -0.16%; PERA's custom Core Fixed Income benchmark returned 1.75% and the custom benchmark for Fixed Income Plus returned 4.51%. The Fund has returned -0.12% for the fiscal year and 10.31% 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.