

PERA Executive Summary

July 2015

Market Values, Asset Allocation & Performance Data:

TABLE I: Fund Market Values (in millions \$)		
Asset Class	7/31/2015	Prev. Month's Chg
Total Equities	7,058	138
Domestic Equity	3,382	145
International Equity	3,676	-6
Total Fixed Income	4,765	35
Core Fixed Income	4,022	34
Fixed Income Plus	743	2
Total Alternatives	2,377	-63
Absolute Return	756	-90
Private Equity	697	13
Real Estate	466	12
Real Assets	458	1
STIF/STO/ Overlay Cash Balances	377	-30
TOTAL FUNDS	14,576	80

TABLE II: Fund Asset Allocation Comparison							
Asset Class	Actual	Target	Variance	Actual with Overlay	Ranges	\$ in Millions	Inclusive of Overlay
Total Equities	48.4%	45.9%	2.5%	49.9%	-	367.1	576.9
Domestic Equity	23.2%	21.1%	2.1%	23.8%	16.1 - 26.1%	306.5	397.3
International Equity	25.2%	24.8%	0.4%	26.0%	19.8 - 29.8%	60.6	179.6
Total Fixed Income	32.7%	31.1%	1.6%	33.4%	-	232.1	334.3
Core Fixed Income	27.6%	26.1%	1.5%	28.3%	23.1 - 29.1%	217.9	320.1
Fixed Income Plus	5.1%	5.0%	0.1%	5.1%	3 - 7%	14.2	14.2
Total Alternatives	16.3%	23.0%	-6.7%	16.3%	-	-975.8	-975.8
Absolute Return	5.2%	4.0%	1.2%	5.2%	2 - 6%	172.6	172.6
Private Equity	4.8%	7.0%	-2.2%	4.8%	5 - 9%	-323.4	-323.4
Real Estate	3.2%	5.0%	-1.8%	3.2%	3 - 7%	-262.9	-262.9
Real Assets	3.1%	7.0%	-3.9%	3.1%	5 - 9%	-562.0	-562.0
STIF/STO/ Overlay Cash Balances	2.6%	0.0%	2.6%	0.4%	-	376.5	64.6

TABLE III: PERA Performance for Month and Fiscal Year to Date (in percent %)				
	7/31/2015	Fiscal YTD	1 Year	3 Year
TOTAL FUND	0.87%	0.87%	4.05%	10.62%
Policy Index	0.43%	0.43%	4.62%	9.81%
<i>Value Added</i>	0.44%	0.44%	-0.57%	0.81%
Total Domestic Equity	1.36%	1.36%	9.94%	17.16%
Russell 3000 Index	1.67%	1.67%	11.28%	18.00%
<i>Value Added</i>	-0.31%	-0.31%	-1.34%	-0.84%
International Equity	-0.26%	-0.26%	-3.47%	9.71%
MSCI ACWI ex-US Index	-0.50%	-0.50%	-4.38%	9.14%
<i>Value Added</i>	0.24%	0.24%	0.91%	0.57%
Fixed Income Plus	-0.09%	-0.09%	N/A	N/A
Policy Index	0.01%	0.01%	N/A	N/A
<i>Value Added</i>	-0.10%	-0.10%	N/A	N/A
Core Fixed Income	0.93%	0.93%	2.37%	3.07%
85/15 Barclays Index	0.61%	0.61%	1.45%	1.15%
<i>Value Added</i>	0.32%	0.32%	0.92%	1.92%
Alternative Assets	1.25%	1.25%	7.13%	10.50%
Policy Index	N/A	N/A	N/A	N/A
<i>Value Added</i>	0.00%	0.00%	0.00%	0.00%
Cash (STIF)	N/A	N/A	N/A	N/A

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Market Value & Asset Allocation:

The Total Fund market value increased by \$80 million in July and finished the month at \$14.6 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 2.1% overweight and the Non-US Equity allocation is overweight by 0.4%, 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 2.2% and 3.9%, respectively. Absolute Return is overweight by 1.2% and Real Estate is underweight by 1.8%. 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 \$41 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 \$41 million to the PERA fund, \$150 thousand to the Magistrates account, \$120 thousand to the Judicial account and \$37 thousand to the Volunteer Fire Fighter account. Private partnerships called \$22 million and distributed \$12 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 0.87%, gross of fees, for the month with the Russell 3000 Index returning 1.67% and the MSCI ACWI ex-US IMI Index returning -0.50%; PERA's custom Core Fixed Income benchmark returned 0.61% and the custom benchmark for Fixed Income Plus returned 0.01%. The Fund has returned 0.77% for the fiscal year and 10.58% 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.