

PERA Executive Summary

June 2015

Market Values, Asset Allocation & Performance Data:

TABLE I: Fund Market Values (in millions \$)		
Asset Class	6/30/2015	Prev. Month's Chg
Total Equities	6,919	152
Domestic Equity	3,237	83
International Equity	3,682	69
Total Fixed Income	4,730	133
Core Fixed Income	3,989	128
Fixed Income Plus	741	5
Total Alternatives	2,440	-27
Absolute Return	845	-31
Private Equity	684	4
Real Estate	454	-1
Real Assets	457	3
STIF/STO/ Overlay Cash Balances	407	-521
TOTAL FUNDS	14,496	-262

TABLE II: Fund Asset Allocation Comparison							
Asset Class	Actual	Target	Variance	Actual with Overlay	Ranges	\$ in Millions	Inclusive of Overlay
Total Equities	47.7%	45.9%	1.8%	49.2%	-	265.5	482.8
Domestic Equity	22.3%	21.1%	1.2%	23.0%	16.1 - 26.1%	178.6	274.5
International Equity	25.4%	24.8%	0.6%	26.2%	19.8 - 29.8%	86.9	208.3
Total Fixed Income	32.6%	31.1%	1.5%	33.3%	-	221.7	322.6
Core Fixed Income	27.5%	26.1%	1.4%	28.2%	23.1 - 29.1%	205.2	306.0
Fixed Income Plus	5.1%	5.0%	0.1%	5.1%	3 - 7%	16.5	16.5
Total Alternatives	16.8%	23.0%	-6.2%	16.8%	-	-894.3	-894.3
Absolute Return	5.8%	4.0%	1.8%	5.8%	2 - 6%	265.4	265.4
Private Equity	4.7%	7.0%	-2.3%	4.7%	5 - 9%	-331.2	-331.2
Real Estate	3.1%	5.0%	-1.9%	3.1%	3 - 7%	-270.8	-270.8
Real Assets	3.2%	7.0%	-3.8%	3.2%	5 - 9%	-557.7	-557.7
STIF/STO/ Overlay Cash Balances	2.8%	0.0%	2.8%	0.6%	-	407.0	88.8

TABLE III: PERA Performance for Month and Fiscal Year to Date (in percent %)				
	6/30/2015	Fiscal YTD	1 Year	3 Year
TOTAL FUND	-1.58%	1.87%	1.87%	10.47%
Policy Index	-1.41%	2.13%	2.13%	9.65%
<u>Value Added</u>	<u>-0.17%</u>	<u>-0.26%</u>	<u>-0.26%</u>	<u>0.82%</u>
Total Domestic Equity	-1.64%	6.38%	6.38%	18.73%
Russell 3000 Index	-1.67%	7.29%	7.29%	17.73%
<u>Value Added</u>	<u>0.03%</u>	<u>-0.91%</u>	<u>-0.91%</u>	<u>1.00%</u>
International Equity	-2.61%	-4.36%	-4.36%	10.05%
MSCI ACWI ex-US Index	-2.71%	-4.96%	-4.96%	9.80%
<u>Value Added</u>	<u>0.10%</u>	<u>0.60%</u>	<u>0.60%</u>	<u>0.25%</u>
Fixed Income Plus	-1.08%	-5.37%	N/A	N/A
Policy Index	-1.61%	-3.15%	N/A	N/A
<u>Value Added</u>	<u>0.53%</u>	<u>-2.22%</u>	<u>N/A</u>	<u>N/A</u>
Core Fixed Income	-1.10%	1.03%	1.03%	3.20%
85/15 Barclays Index	-1.00%	0.48%	0.48%	1.79%
<u>Value Added</u>	<u>-0.10%</u>	<u>0.55%</u>	<u>0.55%</u>	<u>1.41%</u>
Alternative Assets	-1.02%	6.25%	6.25%	9.97%
Policy Index	-0.07%	9.97%	9.97%	11.76%
<u>Value Added</u>	<u>-0.95%</u>	<u>-3.72%</u>	<u>-3.72%</u>	<u>-1.79%</u>
Cash (STIF)	0.64%	1.44%	1.44%	2.28%



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Market Value & Asset Allocation:

The Total Fund market value decreased by \$262 million in June and finished the month at \$14.5 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 1.2% overweight and the Non-US Equity allocation is overweight by 0.6%, which is within policy range. Core Fixed Income is within policy range at 2.82% variance as well as Fixed Income Plus, which is overweight by 0.1%. The Real Assets and Private Equity portfolios are underweight 3.8% and 2.3%, respectively. Absolute Return is overweight by 1.8% 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 \$40 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 \$465 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. PERA transferred \$504 million from the STIF, which was invested through the cash overlay program, to investment managers across all liquid asset categories. This transfer was based on the methodology presented to the PERA Board at the May 28, 2015 Investment Committee meeting. Private partnerships called \$38 million and distributed \$32 million during the month. This fiscal year capital calls have averaged \$27 million per month and have totaled \$291 million. Distributions have averaged \$30 million per month and have totaled \$361 million.

Fund Returns & Performance:

The Total Fund returned -1.58%, net of fees, for the month with the Russell 3000 Index returning -1.67% and the MSCI ACWI ex-US IMI Index returning -2.71%; PERA's custom Core Fixed Income benchmark returned -1.00% and the custom benchmark for Fixed Income Plus returned -1.61%. The Fund has returned 2.13% for the fiscal year and 10.47% 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.