

PERA Executive Summary

October 2014

Market Values, Asset Allocation & Performance Data:

TABLE I: Fund Market Values (in millions \$)		
Asset Class	10/31/2014	Prev. Month's Chg
Total Equities	7,643	-107
Domestic Equity	4,384	-80
International Equity	3,259	-27
Total Fixed Income	3,904	133
Core Fixed Income	3,804	33
Fixed Income Plus	100	100
Total Alternatives	2,622	-47
Absolute Return	1,100	-34
Private Equity	625	-13
Real Estate	461	16
Real Assets	435	-16
STIF/STO/ Overlay Cash Balances	317	116
TOTAL FUNDS	14,485	95

TABLE II: Fund Asset Allocation Comparison					
Asset Class	Actual	Target	Variance	Ranges	\$ in Millions
Total Equities	52.8%	45.9%	6.9%	-	994.0
Domestic Equity	30.3%	21.1%	9.2%	16.1 - 26.1%	1,327.4
International Equity	22.5%	24.8%	-2.3%	19.8 - 29.8%	-333.4
Total Fixed Income	27.0%	31.1%	-4.1%	-	-600.7
Core Fixed Income	26.3%	26.1%	0.2%	23.1 - 29.1%	23.7
Fixed Income Plus	0.7%	5.0%	-4.3%	3 - 7%	-624.4
Total Alternatives	18.1%	23.0%	-4.9%	-	-710.0
Absolute Return	7.6%	4.0%	3.6%	2 - 6%	521.0
Private Equity	4.3%	7.0%	-2.7%	5 - 9%	-388.9
Real Estate	3.2%	5.0%	-1.8%	3 - 7%	-263.0
Real Assets	3.0%	7.0%	-4.0%	5 - 9%	-579.0
STIF/STO/ Overlay Cash Balances	2.2%	0.0%	2.2%	-	316.7

TABLE III: PERA Performance for Month and Fiscal Year to Date (in percent %)				
	10/31/2014	Fiscal YTD	1 Year	3 Year
TOTAL FUND	1.03%	-0.18%	7.94%	11.18%
Policy Index	0.77%	-0.19%	7.85%	9.83%
<i>Value Added</i>	0.26%	0.01%	0.09%	1.35%
Total Domestic Equity	3.18%	1.74%	13.80%	20.63%
Russell 3000 Index	2.75%	2.76%	16.06%	19.77%
<i>Value Added</i>	0.43%	-1.02%	-2.26%	0.86%
International Equity	-0.80%	-5.91%	0.64%	8.54%
MSCI ACWI ex-US Index	-1.15%	-6.48%	0.34%	8.36%
<i>Value Added</i>	0.35%	0.57%	0.30%	0.18%
Fixed Income Plus	-2.90%	-2.90%	N/A	N/A
Policy Index	0.92%	0.92%	N/A	NA
<i>Value Added</i>	-3.82%	-3.82%	N/A	N/A
Core Fixed Income	0.89%	0.87%	4.51%	4.59%
85/15 Barclays Index	0.84%	0.50%	3.57%	1.94%
<i>Value Added</i>	0.05%	0.37%	0.94%	2.65%
Alternative Assets	0.13%	3.07%	13.60%	10.46%
Policy Index	0.03%	1.95%	11.79%	N/A
<i>Value Added</i>	0.10%	1.12%	1.81%	N/A
Cash (STIF)	0.00%	0.41%	1.13%	2.99%

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Market Value & Asset Allocation:

The Total Fund market value increased by \$95 million in October and finished the month at \$14.5 billion. The PERA Board approved a new strategic asset allocation in April. 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, US Equity is overweight by 9.2% and the Non-US Equity allocations are underweight by 2.3%. Core Fixed Income is within policy range at 0.2% variance and Fixed Income Plus is underweight by 4.3%. The Real Assets and Private Equity portfolios are underweight 4.0% and 2.7%, respectively. Absolute Return is overweight by 3.6% 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 \$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 \$155 million to the PERA fund with no transfers being made to the Judicial account, the Volunteer Fire Fighter account, or the Magistrates account. Private partnerships called \$21 million and distributed \$43 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 1.03%, net of fees, for the month with the Russell 3000 Index returning 2.75% and the MSCI ACWI ex-US IMI Index returning -1.15%; PERA's custom Core Fixed Income benchmark returned 0.84% and the custom benchmark for Fixed Income Plus returned 0.92%. The Fund has returned -0.18% for the fiscal year and 11.18% 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 or International Equity managers are on the Watch List. One Fixed Income manager, Pimco, is on the Watch List. Three of PERA's alternative investments are also on Cliffwater's Watch List.