

PERA Executive Summary

September 2014

Market Values, Asset Allocation & Performance Data:

TABLE I: Fund Market Values (in millions \$)		
Asset Class	9/30/2014	Prev. Month's Chg
Total Equities	7,750	-288
Domestic Equity	4,463	-124
International Equity	3,286	-164
Total Fixed Income	3,771	-29
Core Fixed Income	3,771	-29
Fixed Income Plus	0	0
Total Alternatives	2,669	-2
Absolute Return	1,134	2
Private Equity	638	1
Real Estate	445	-10
Real Assets	451	5
STIF/STO/ Overlay Cash Balances	201	7
TOTAL FUNDS	14,390	-312

TABLE II: Fund Asset Allocation Comparison					
Asset Class	Actual	Target	Variance	Ranges	\$ in Millions
Total Equities	53.9%	45.9%	8.0%	-	1,144.7
Domestic Equity	31.0%	21.1%	9.9%	16.1 - 26.1%	1,427.2
International Equity	22.8%	24.8%	-2.0%	19.8 - 29.8%	-282.5
Total Fixed Income	26.2%	31.1%	-4.9%	-	-704.4
Core Fixed Income	26.2%	26.1%	0.1%	23.1 - 29.1%	15.1
Fixed Income Plus	0.0%	5.0%	-5.0%	3 - 7%	-719.5
Total Alternatives	18.5%	23.0%	-4.5%	-	-640.9
Absolute Return	7.9%	4.0%	3.9%	2 - 6%	558.9
Private Equity	4.4%	7.0%	-2.6%	5 - 9%	-369.6
Real Estate	3.1%	5.0%	-1.9%	3 - 7%	-274.0
Real Assets	3.1%	7.0%	-3.9%	5 - 9%	-556.2
STIF/STO/ Overlay Cash Balances	1.4%	0.0%	1.4%	-	200.5

TABLE III: PERA Performance for Month and Fiscal Year to Date (in percent %)				
	9/30/2014	Fiscal YTD	1 Year	3 Year
TOTAL FUND	-2.32%	-1.15%	9.96%	13.20%
Policy Index	-2.02%	-0.98%	9.66%	11.88%
<i>Value Added</i>	<i>-0.30%</i>	<i>-0.17%</i>	<i>0.30%</i>	<i>1.32%</i>
Total Domestic Equity	-2.71%	-1.34%	15.04%	24.26%
Russell 3000 Index	-2.08%	0.01%	17.75%	23.08%
<i>Value Added</i>	<i>-0.63%</i>	<i>-1.35%</i>	<i>-2.71%</i>	<i>1.18%</i>
International Equity	-4.75%	-5.07%	5.25%	12.41%
MSCI ACWI ex-US Index	-4.92%	-5.39%	5.18%	12.47%
<i>Value Added</i>	<i>0.17%</i>	<i>0.32%</i>	<i>0.07%</i>	<i>-0.06%</i>
Total Fixed Income	-0.76%	0.04%	5.10%	4.84%
85/15 Barclays Index	-1.00%	-0.34%	3.57%	2.10%
<i>Value Added</i>	<i>0.24%</i>	<i>0.38%</i>	<i>1.53%</i>	<i>2.74%</i>
Alternative Assets	-0.58%	2.95%	15.10%	11.37%
Policy Index	-0.27%	1.34%	10.82%	N/A
<i>Value Added</i>	<i>-0.31%</i>	<i>1.61%</i>	<i>4.28%</i>	<i>N/A</i>
Cash (STIF)	0.11%	0.40%	1.67%	3.10%

PERA Executive Summary

September 2014

Market Values, Asset Allocation & Performance:

Market Value & Asset Allocation:

The Total Fund market value decreased by \$312 million in September and finished the month at \$14.4 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 9.9% and the Non-US Equity allocations are underweight by 2.0%. Total Fixed Income is underweight by 4.9%. The Real Assets and Private Equity portfolios are underweight 3.9% and 2.6%, respectively. Absolute Return is overweight by 3.9% 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 \$115 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 \$32 million and distributed \$20 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 -2.32%, net of fees, for the month with the Russell 3000 Index returning -2.08% and the MSCI ACWI ex-US IMI Index returning -4.92%; PERA's custom Fixed Income benchmark returned -1.00%. The Fund has returned -1.15% for the fiscal year and 13.20% 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 Income managers are on the Watch List. Three of PERA's alternative investments are on Cliffwater's Watch List.