

PERA Executive Summary

September 2015

Market Values, Asset Allocation & Performance Data:

TABLE I: Fund Market Values (in millions \$)		
Asset Class	9/30/2015	Prev. Month's Chg
Total Equities	6,370	-240
Domestic Equity	3,114	-97
International Equity	3,256	-144
Total Fixed Income	4,658	13
Core Fixed Income	3,936	27
Fixed Income Plus	722	-14
Total Alternatives	2,327	-26
Absolute Return	744	-15
Private Equity	703	13
Real Estate	457	2
Real Assets	424	-27
STIF/STO/ Overlay Cash Balances	360	-37
TOTAL FUNDS	13,715	-291

TABLE II: Fund Asset Allocation Comparison							
Asset Class	Actual	Target	Variance	Actual with Overlay	Ranges	\$ in Millions	Inclusive of Overlay
Total Equities	46.4%	45.9%	0.5%	47.9%	-	74.9	281.1
Domestic Equity	22.7%	21.1%	1.6%	23.3%	16.1 - 26.1%	219.9	306.4
International Equity	23.7%	24.8%	-1.1%	24.6%	19.8 - 29.8%	-144.9	-25.4
Total Fixed Income	34.0%	31.1%	2.9%	34.7%	-	392.7	488.5
Core Fixed Income	28.7%	26.1%	2.6%	29.4%	23.1 - 29.1%	356.2	452.0
Fixed Income Plus	5.3%	5.0%	0.3%	5.3%	3 - 7%	36.6	36.6
Total Alternatives	17.0%	23.0%	-6.0%	17.0%	-	-827.4	-827.4
Absolute Return	5.4%	4.0%	1.4%	5.4%	2 - 6%	194.9	194.9
Private Equity	5.1%	7.0%	-1.9%	5.1%	5 - 9%	-257.4	-257.4
Real Estate	3.3%	5.0%	-1.7%	3.3%	3 - 7%	-228.5	-228.5
Real Assets	3.1%	7.0%	-3.9%	3.1%	5 - 9%	-536.4	-536.4
STIF/STO/ Overlay Cash Balances	2.6%	0.0%	2.6%	0.4%	-	359.7	57.8

TABLE III: PERA Performance for Month and Fiscal Year to Date (in percent %)				
	9/30/2015	Fiscal YTD	1 Year	3 Year
TOTAL FUND	-1.73%	-4.57%	-1.64%	6.98%
Policy Index	-1.88%	-4.44%	-1.29%	6.37%
<u>Value Added</u>	<u>0.15%</u>	<u>-0.13%</u>	<u>-0.35%</u>	<u>0.61%</u>
Total Domestic Equity	-3.01%	-7.31%	-0.03%	13.19%
Russell 3000 Index	-2.91%	-7.25%	-0.49%	12.53%
<u>Value Added</u>	<u>-0.10%</u>	<u>-0.06%</u>	<u>0.46%</u>	<u>0.66%</u>
International Equity	-4.23%	-11.54%	-10.85%	3.16%
MSCI ACWI ex-US Index	-4.40%	-11.88%	-11.42%	2.74%
<u>Value Added</u>	<u>0.17%</u>	<u>0.34%</u>	<u>0.57%</u>	<u>0.42%</u>
Fixed Income Plus	-1.85%	-2.92%	-8.14%	N/A
Policy Index	-2.45%	-3.36%	-6.40%	N/A
<u>Value Added</u>	<u>0.60%</u>	<u>0.44%</u>	<u>-1.74%</u>	<u>N/A</u>
Core Fixed Income	0.70%	1.24%	2.25%	2.49%
85/15 Barclays Index	0.62%	1.12%	1.95%	1.08%
<u>Value Added</u>	<u>0.08%</u>	<u>0.12%</u>	<u>0.30%</u>	<u>1.41%</u>
Alternative Assets	-0.41%	-0.30%	2.89%	9.06%
Policy Index	-0.92%	-0.30%	7.12%	9.20%
<u>Value Added</u>	<u>0.51%</u>	<u>-0.41%</u>	<u>-4.23%</u>	<u>-0.14%</u>
Cash (STIF)	0.00%	0.12%	1.15%	2.51%

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Market Value & Asset Allocation:

The Total Fund market value decreased by \$291 million in September and finished the month at \$13.7 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 1.6% overweight and the Non-US Equity allocation is underweight by 1.1%, which is within policy range. Core Fixed Income is within policy range at a 2.6% variance as well as Fixed Income Plus, which is overweight by 0.3%. The Real Assets and Private Equity portfolios are underweight 3.9% and 1.9%, respectively. Absolute Return is overweight by 1.4% 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 \$44 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 \$117 million to the PERA fund, \$498 thousand to the Magistrates account, \$836 thousand to the Judicial account and \$183 thousand to the Volunteer Fire Fighter account. Private partnerships called \$18 million and distributed \$38 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 -1.73%, net of fees, for the month with the Russell 3000 Index returning -2.91% and the MSCI ACWI ex-US IMI Index returning -4.40%; PERA's custom Core Fixed Income benchmark returned 0.62% and the custom benchmark for Fixed Income Plus returned -2.45%. The Fund has returned -4.57% for the fiscal year and 6.98% for the 3-year.

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.