



PERA

Legislative Finance Committee

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Investment Performance and Outlook

October 20, 2022

Claudia Armijo, Board Chair

Greg Trujillo, Executive Director

Michael Shackelford, Chief Investment Officer

Fiscal Year 2022 Investment Performance

PERA Investment Goal	Measurement	Total Fund Results	Benchmark Return	Excess Return	Scorecard
Produce returns that meet or exceed Board approved Total Fund benchmarks:	Policy Portfolio:				
	•FYTD	-1.67%	-10.51%	8.84%	Meets
	•1 Year	-1.67%	-10.51%	8.84%	Meets
	•3 years	6.30%	3.03%	3.27%	Meets
	•5 Years	6.44%	4.26%	2.18%	Meets
	•7 years	6.22%	4.95%	1.27%	Meets
	•10 years	7.49%	6.38%	1.11%	Meets
	•20 years	6.50%	6.25%	0.25%	Meets
	•30 years	7.87%	7.12%	0.75%	Meets
	•ITD	8.70%	8.25%	0.45%	Meets
Meet or exceed the Policy Portfolio over the long-term	Reference Portfolio:				
	•FYTD	-1.67%	-13.78%	12.11%	Meets
	•1 Year	-1.67%	-13.78%	12.11%	Meets
	•3 years	6.30%	3.41%	2.89%	Meets
	•5 Years	6.44%	4.55%	1.89%	Meets
	•7 years	6.22%	4.78%	1.44%	Meets
	•10 years	7.49%	5.88%	1.61%	Meets
	•20 years	6.50%	6.15%	0.35%	Meets
	•30 years	7.87%	6.54%	1.33%	Meets
	•ITD	8.70%	7.86%	0.84%	Meets
Meet or exceed the Reference Portfolio over the long- term	Peer Rankings				
	Fund Sharpe	Fund Ranking	No. of Funds		
	•1 Year	-0.23	8	63	Meets
	•3 years	0.71	20	62	Meets
	•5 Years	0.75	22	62	Meets
	•7 Years	0.77	22	60	Meets
	•10 years	1.03	22	57	Meets
Median risk adjusted peer performance ranking over the long-term (InvestMetrics)					
ITD Reference Portfolio Benchmark Return: 58% MSCI ACWI IMI (\$n), 42% Bloomberg Barclays U.S. Aggregate 12/31/08 - Present. 62% MSCI ACWI IMI (\$n), 38% Bloomberg Barclays U.S. Aggregate from 05/31/94 - 12/31/08. 62% Russell 3000 Index, 38% Bloomberg Barclays U.S. Aggregate from Inception - 05/31/94.					

Market & Performance Outlook

- All major institutions (Federal Reserve, IMF, World Bank) expect a significant economic slowdown in 2023
- Most major banks expect either a significant slowdown or recession in 2023
- With inflation still elevated, the Fed is expected to continue raising rates
- Stocks, Bonds, and Commodities have all experienced steep price declines this year
- Given this backdrop, our expectation is for stocks and bonds to continue falling into the first quarter of 2023 and possibly beyond

New Strategic Asset Allocation Recommendation

Asset Class	Current Portfolio	Recommended
Public Equity - Global	16.50%	16.00%
Public Equity - Global Low Volatility	7.00%	5.00%
Private Equity	12.00%	17.00%
Global Equity	35.50%	38.00%
Core US Bond	17.00%	17.00%
Core Global Bond (Hedged)	2.50%	0.00%
Risk Reduction & Mitigation	19.50%	17.00%
Global High Yield (Hedged)	2.00%	4.00%
Emerging Market Debt	3.00%	0.00%
Alternative Credit	4.00%	7.00%
Private Credit (Blend)	6.00%	8.00%
Credit Oriented Fixed Income	15.00%	19.00%
Global Real Estate Securities	0.00%	0.00%
Global Listed Infrastructure	5.00%	3.00%
Private Real Estate (Blend)	7.00%	7.00%
Private Real Assets (Blend)	8.00%	8.00%
Real Assets	20.00%	18.00%
Risk Parity (15% Volatility)	10.00%	8.00%
Multi-Risk	10.00%	8.00%
Total Assets	100.00%	100.00%
Expected Beta Return - 10 Years (%)	7.11	7.49
Expected Beta Return - 20 Years (%)	7.46	7.8
Expected Return - 30 Years (%)	7.82	8.11
Standard Deviation of Return (%)	11.43	12.07
Sharpe Ratio	0.35	0.36
Total Private Markets (%)	33%	40%

- Increase total private markets allocation from 33% to 40%
- Take advantage of illiquidity premium opportunities by increasing Private Equity and Private Credit
- Modest increase in risk profile with opportunity to increase return potential
- Increasing risk-adjusted return potential (higher Sharpe Ratio)
- Requesting Board approval
Oct. 27, 2022

Organization Chart for Investment Division

