

PERS' Investment Program

Over 80% of an individual member's retirement benefit is funded from investment earnings. PERS' investment program is designed to harness the power of compound interest to meet those benefit obligations while minimizing risk. The Retirement Board has implemented an investment strategy that maximizes risk-adjusted return to meet these funding requirements.

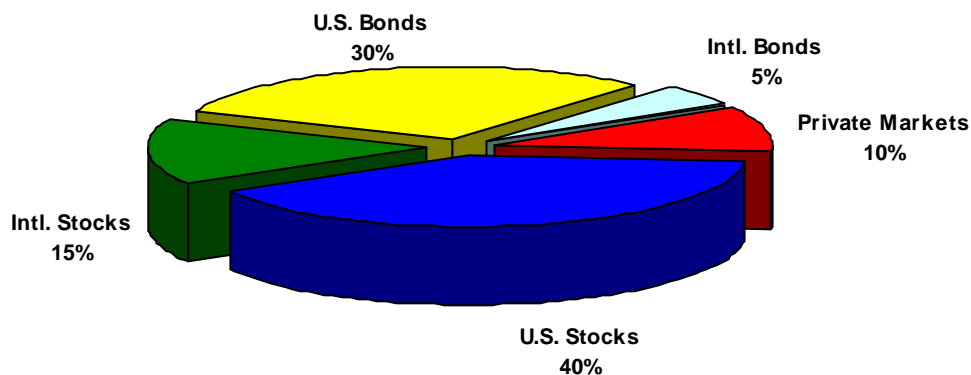
The investment objective of the PERS' fund is to:

- Generate 8% by producing a long-term total return from investments which exceeds the rate of inflation (CPI) by 4.5% by capturing market returns within each asset class;
- Invest so the short-term volatility of returns will not cause the System to alter its long-term strategy; and
- Structure an investment program which is sufficiently uncomplicated to control the ability to consistently meet return and risk objectives.

Investment Strategy

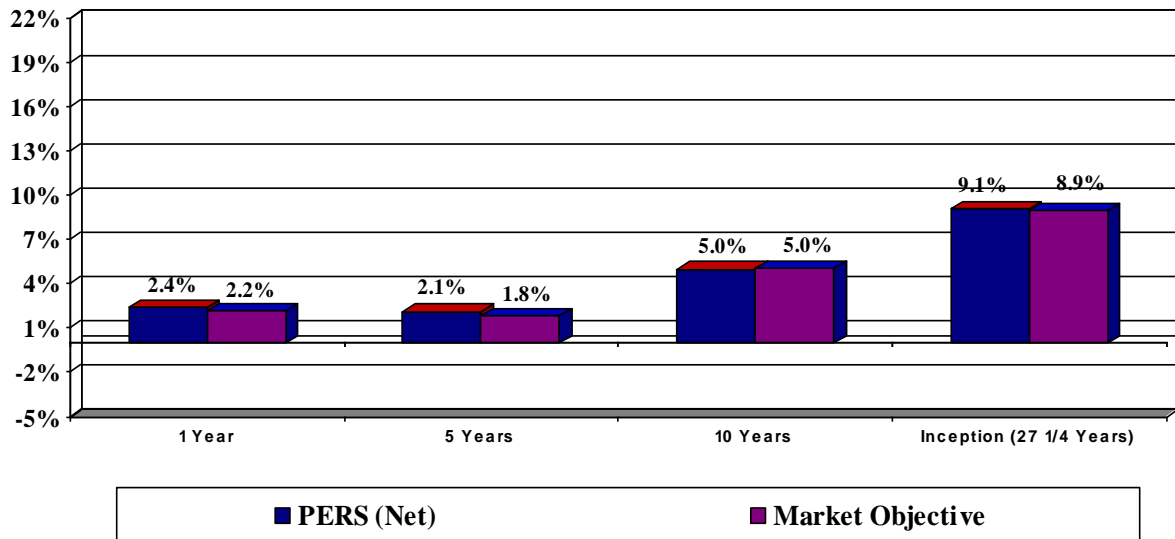
PERS' investment philosophy is based on maintaining a consistent exposure to the capital markets, using a disciplined rebalancing program to buy assets at lower prices and sell them at higher prices, and keeping costs low. The most meaningful decision an investor can make is their asset allocation strategy. PERS' strategy is broadly diversified and emphasizes high quality assets. The fund is invested in over 5,000 securities to ensure any individual asset will not have an undue influence on total portfolio risk. The rebalancing system is utilized to keep the portfolio in-line with its policy targets.

As of September 30, 2011, total assets were \$23.2 billion. PERS' target asset allocation is detailed below:



Investment Return

Since 1984 (PERS' performance inception date), the PERS' fund has generated a 9.1% net return, exceeding our 8% actuarial objective. Total fund performance versus the markets as of September 30, 2011 is detailed below:



The market objective represents a passive investment in the fund's target asset allocation. Value added has been generated by PERS' rebalancing strategy which systematically sells securities at high points in their performance cycle and reinvests those assets in less expensive securities.

More recently, through one of the most volatile investment markets in history, the fund has generated better returns than its peers with less risk. For the last 4 years (encompassing the recent bear market and recovery), PERS' return ranks in the top 30% and risk ranks in the bottom 28% versus large public pension funds. PERS' risk profile is one of the lowest among state pension plans for long term periods, and the fund ranks in the top 14% in terms of risk/return efficiency since inception.

Administration

The Retirement Board sets investment strategy for the program, which is then implemented by PERS' staff. Individual securities are selected by fully discretionary, external investment managers. Each manager is charged with a specific style mandate as follows:

<u>Firm</u>	<u>Retained</u>	<u>Mandate</u>
AllianceBernstein	1986	S&P 500 Index
	1998	Growth Equity
Atlanta Capital	1998	Growth Equity
BNY Mellon	1997	Securities Lending

BlackRock	2003	S&P 500 Index
	2003	Barclays Aggregate Index
	2000	Real Estate
Capital Guardian	2004	Core Equity
Dodge & Cox	2003	U.S. Bonds
Franklin Templeton	2011	Int'l. Equity
Golden Capital	2008	Core Equity
Invesco Realty Advisors	1992	Real Estate
J. & W. Seligman	1998	Value Equity
JP Morgan	2002	U.S. Bonds
Loomis, Sayles	1994	Value Equity
Mellon Capital	2003	Int'l. Stock Index
	2009	Barclays Aggregate Index
Manning & Napier	2010	Int'l. Equity
Pathway Capital	1986	Private Equity
Payden & Rygel	2003	Barclays Aggregate Index
	2003	Int'l. Bond Index
UBS Global Asset Management	2003	Int'l. Bond Index
	2006	Barclays Aggregate Index
Western Asset Management	2003	U.S. Bonds
Callan Associates	1983	Investment Consultant

- [PERS' Investment Objectives and Policies](#)