

NEW MEXICO PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

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Investments and Pensions Oversight Committee August 3, 2012

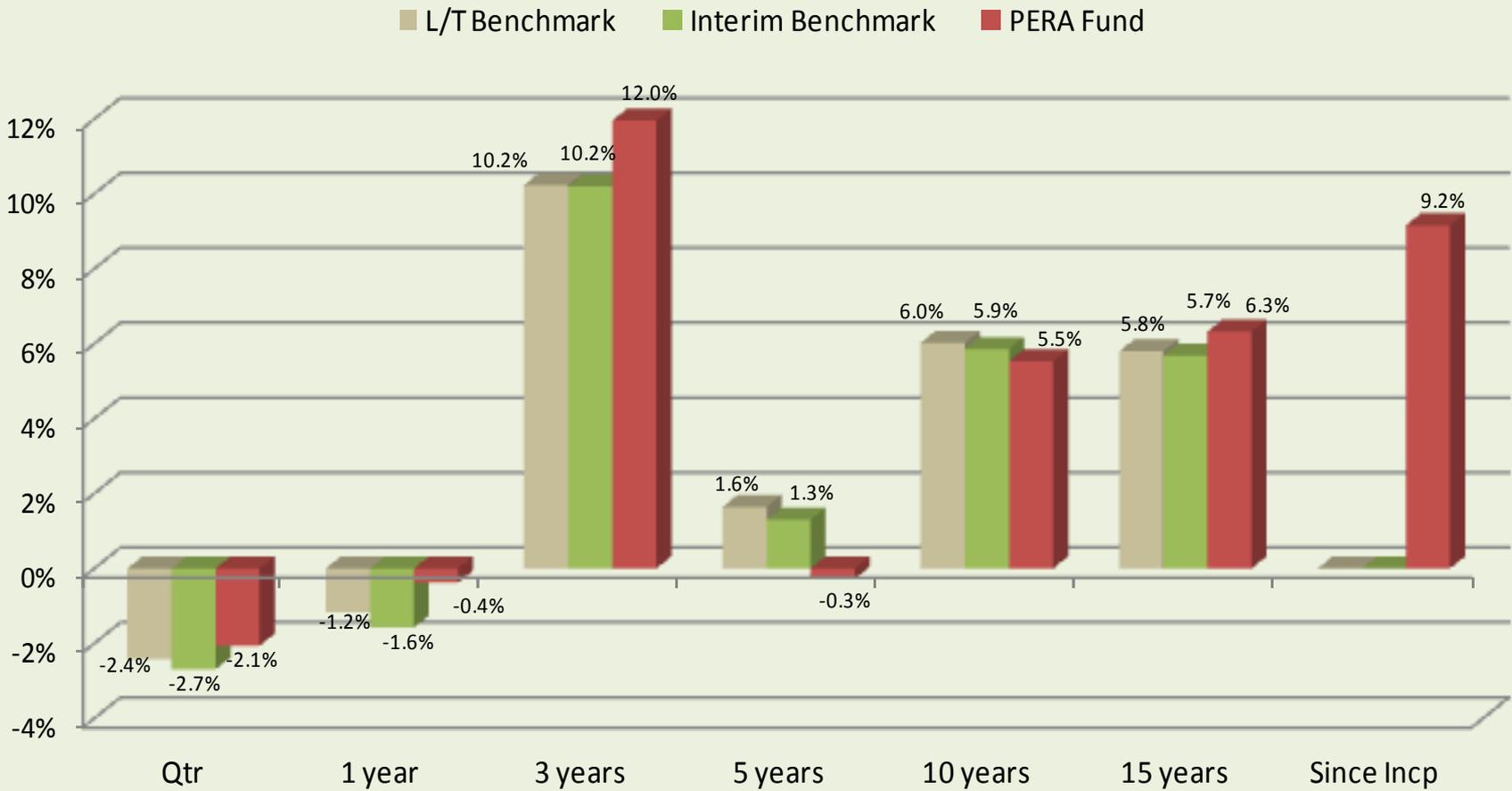
Gerald Chavez, Board Chairperson

Joelle Mevi, Chief Investment Officer

NM PERA

Fund Performance through June 30, 2012

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NM PERA

How to measure *Relative* Performance

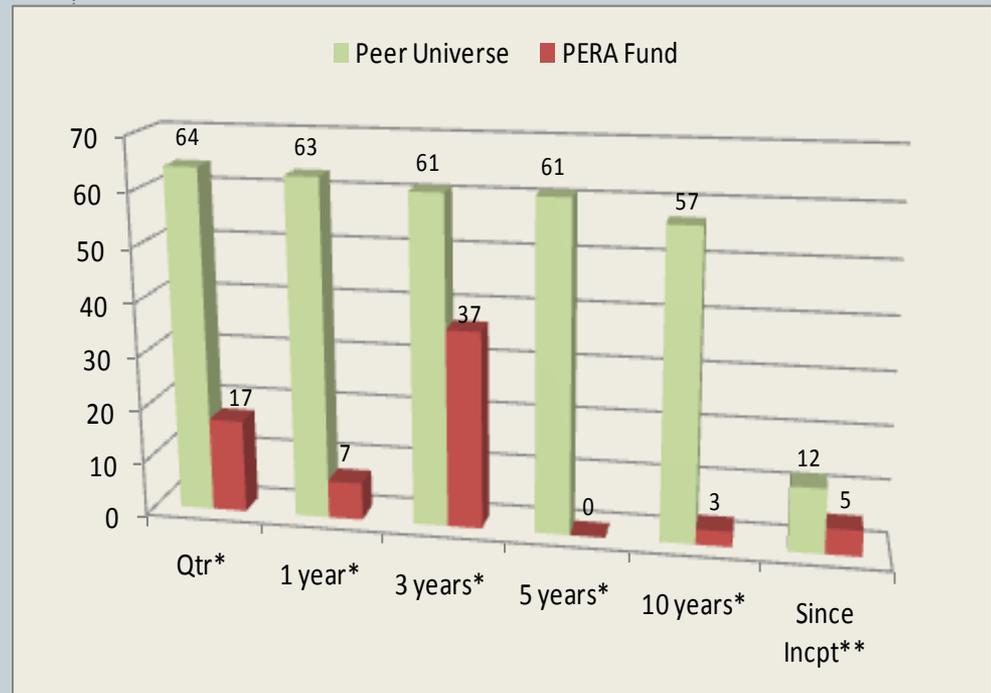
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- Relative to a **benchmark** to evaluate how the Plan is performing compared to its stated target (which changes over time).
- Relative to **peers** to evaluate how the Plan is performing compared to other funds of similar type and size, and to understand best practices among the peers.
 - PERA's Total Fund return is compared to the All Public Plans > \$1 billion peer universe.
 - It is important to note that peer public plans might have different interim and long-term target allocations than PERA's targets, leading them to have different performance.

Measuring Fund Performance through June 30, 2012

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- **Total Fund Performance relative to the Fund's Peer Group:**
 - For the Quarter, the fund ranked in 73rd percentile of 64 peers*
 - For one year, the fund ranked in 89th percentile of 63 peers*
 - For three years, the fund ranked in 40th percentile of 61 peers*
 - For five years, the fund ranked in 100th percentile of 61 peers*
 - For ten years, the fund ranked in 95th percentile of 57 peers*
 - Since inception, the fund ranked in 60th percentile of 12 peers**

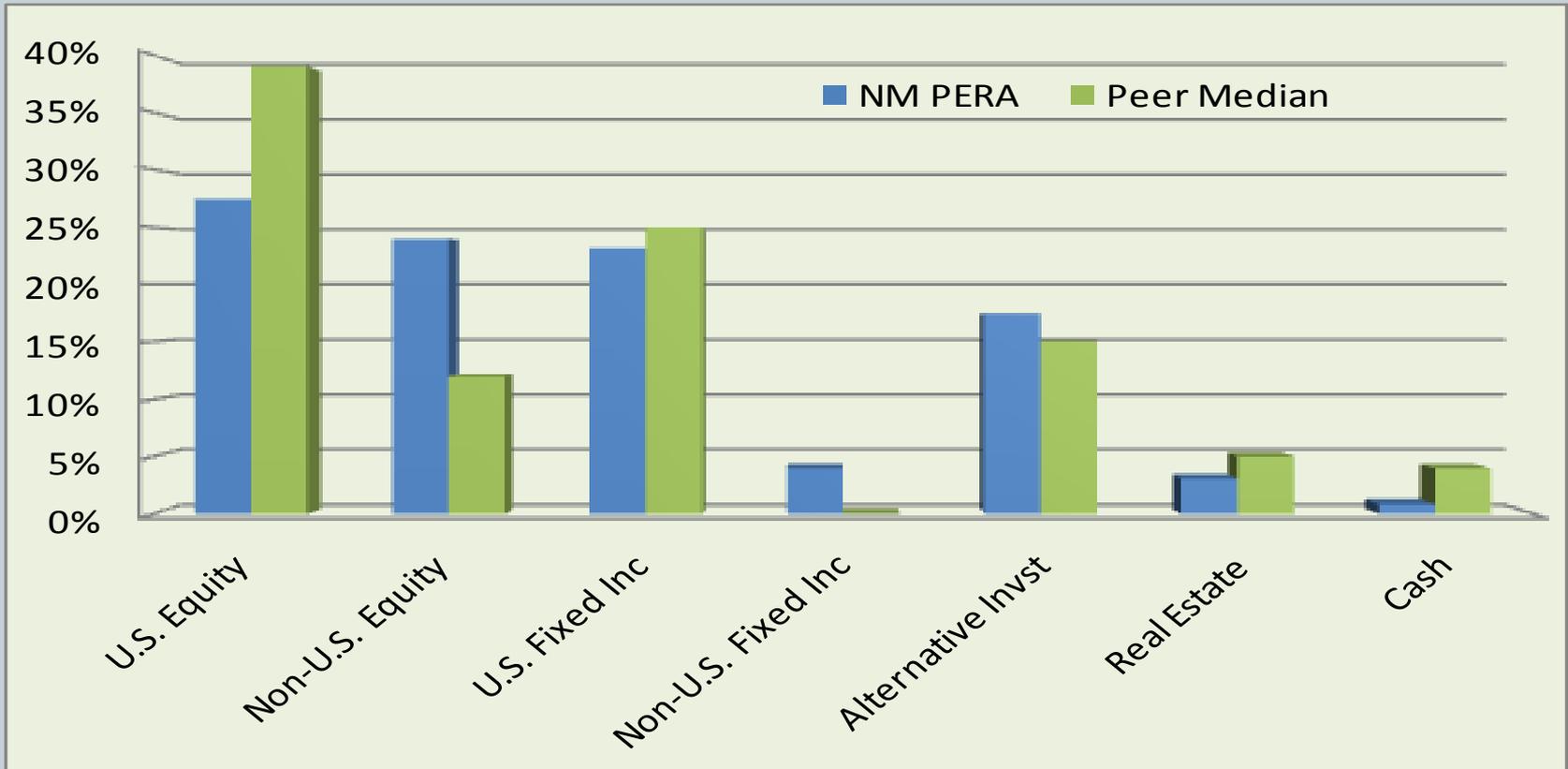


* The TUCS universe of Public Funds greater than \$1 billion.

** The RVK universe of Public Funds greater than

Asset Allocation vs. Peer Median

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- Peer median of Wilshire TUCS Universe Public Fund >\$1billion

What Influenced Performance this Qtr & Year?

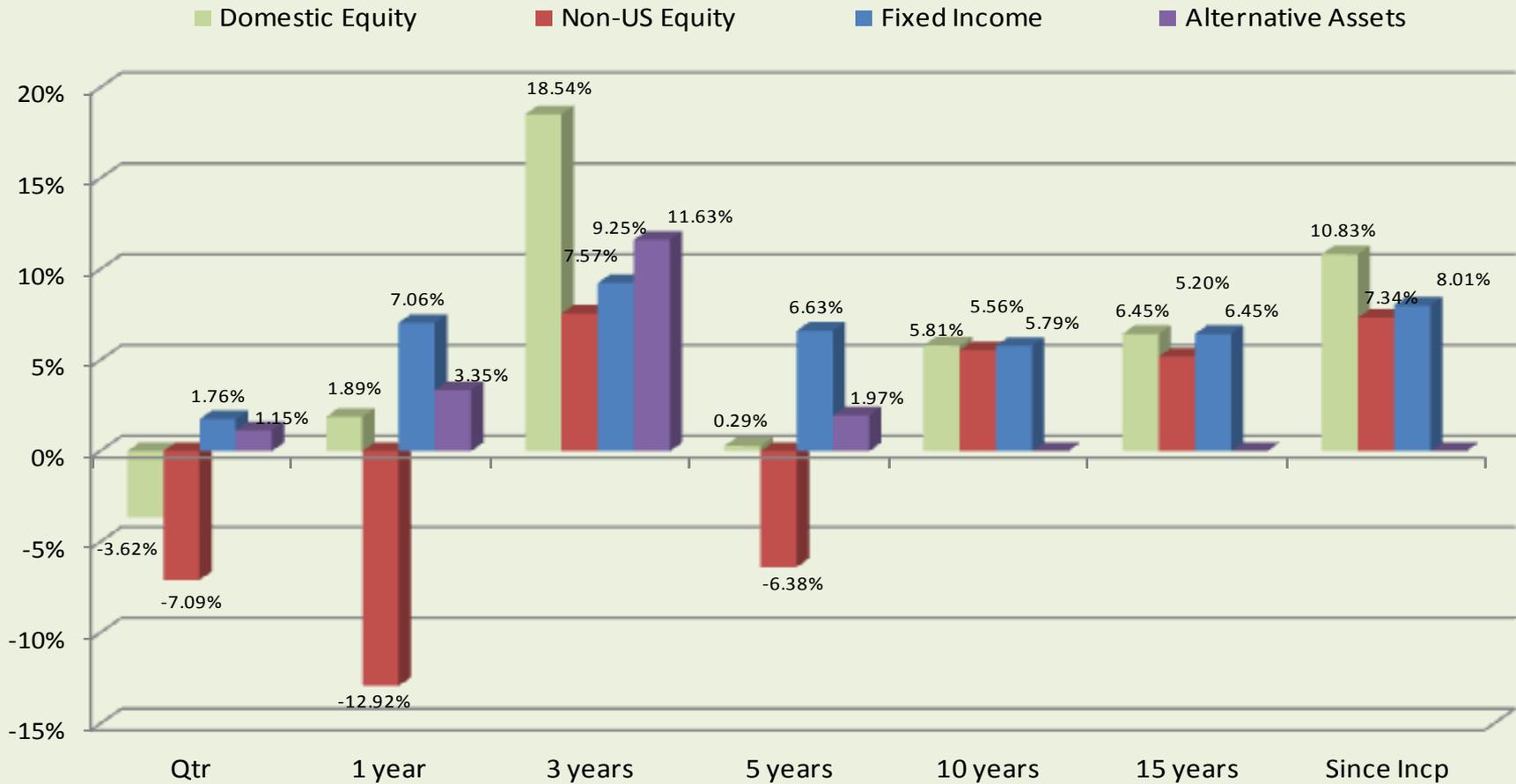
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- Capital market volatility
 - The domestic stock market (R3000) returned:
 - ✦ **-15.28%** for QE 9-30-11 **12.11%** for QE 12-31-11
 - ✦ **12.87%** for QE 3-31-12 **-3.15%** for QE 6-30-12
 - ✦ **3.84%** for FY12
 - The international stock market (MSCI ACWI ex US) returned:
 - ✦ **-19.78%** for QE 9-30-11 **3.77%** for QE 12-31-11
 - ✦ **11.34%** for QE 3-31-12 **-7.38%** for QE 6-30-12
 - ✦ **-13.38%** for FY12
 - The bond market (Barclays Agg) returned:
 - ✦ **3.82%** for QE 9-30-11 **1.12%** for QE 12-31-11
 - ✦ **0.30%** for QE 3-31-12 **2.06%** for QE 6-30-12
 - ✦ **7.48%** for FY12

Earnings by Asset Class

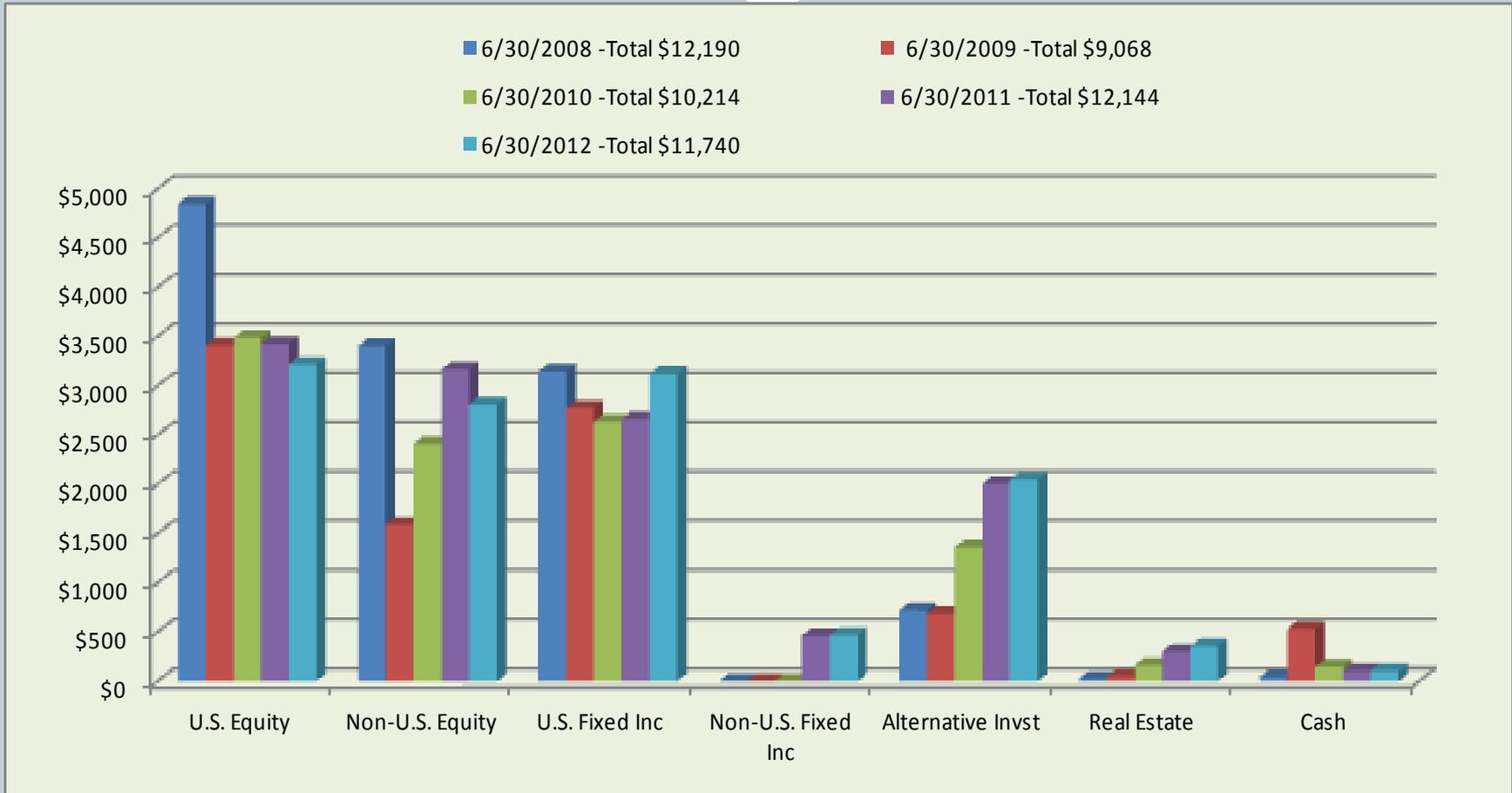
June 30, 2012

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Change in Market Value by Asset Class FYE2008 – FYE2012

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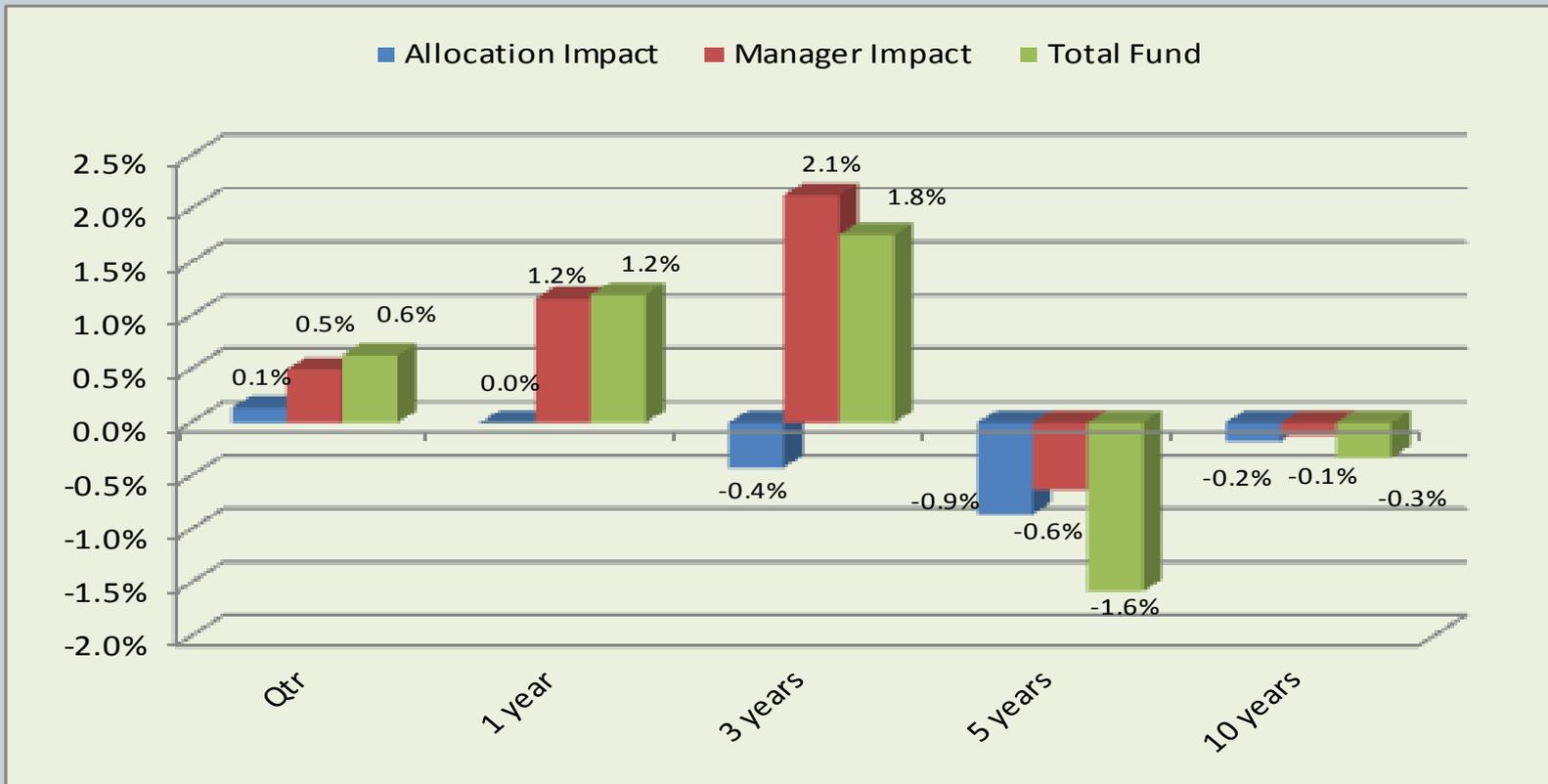


- Note: Market values in millions. Asset Allocation changed May 2010

What Influenced *Relative* Performance for the Quarter?

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- Percentage Contribution to Investment Return:



Going Forward

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- What is underway
 - Global Equity Structure Study
 - Education on Real Asset Investing:
 - ✦ Infrastructure, Timberland, Farmland, TIPS
 - RFP for active domestic small cap growth manager
- What is planned
 - Asset Allocation Study
 - Revisions to Investment Policy Statement;
 - ✦ Benchmark updates
 - ✦ Consideration of 3% Alpha Allocation recommendation
 - Education on portfolio construction methodologies