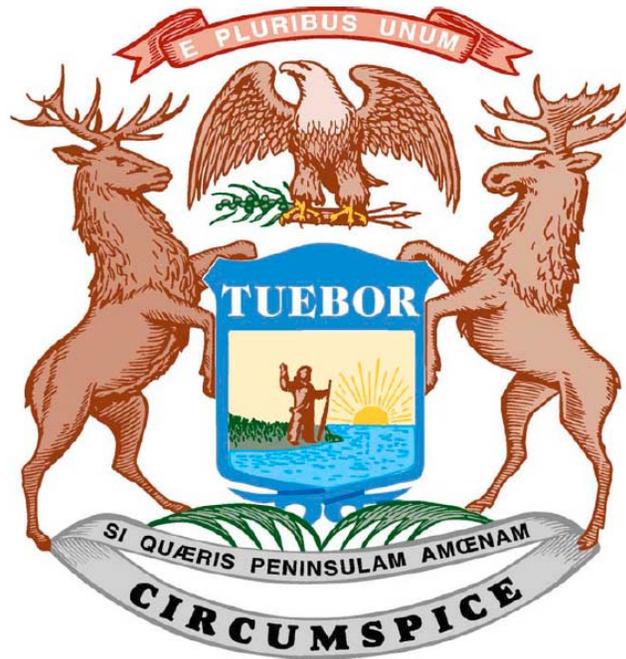




Michigan Department of Treasury Bureau of Investments



Jon M. Braeutigam

Chief Investment Officer

Bureau of Investments

May 13, 2010



Today's Topics:

- **The Bureau of Investments**
- **MJRS High Level Plan Overview**
- **MJRS Asset Allocation**
- **Stock and Bond Markets 2009 Review**
- **MJRS Returns**



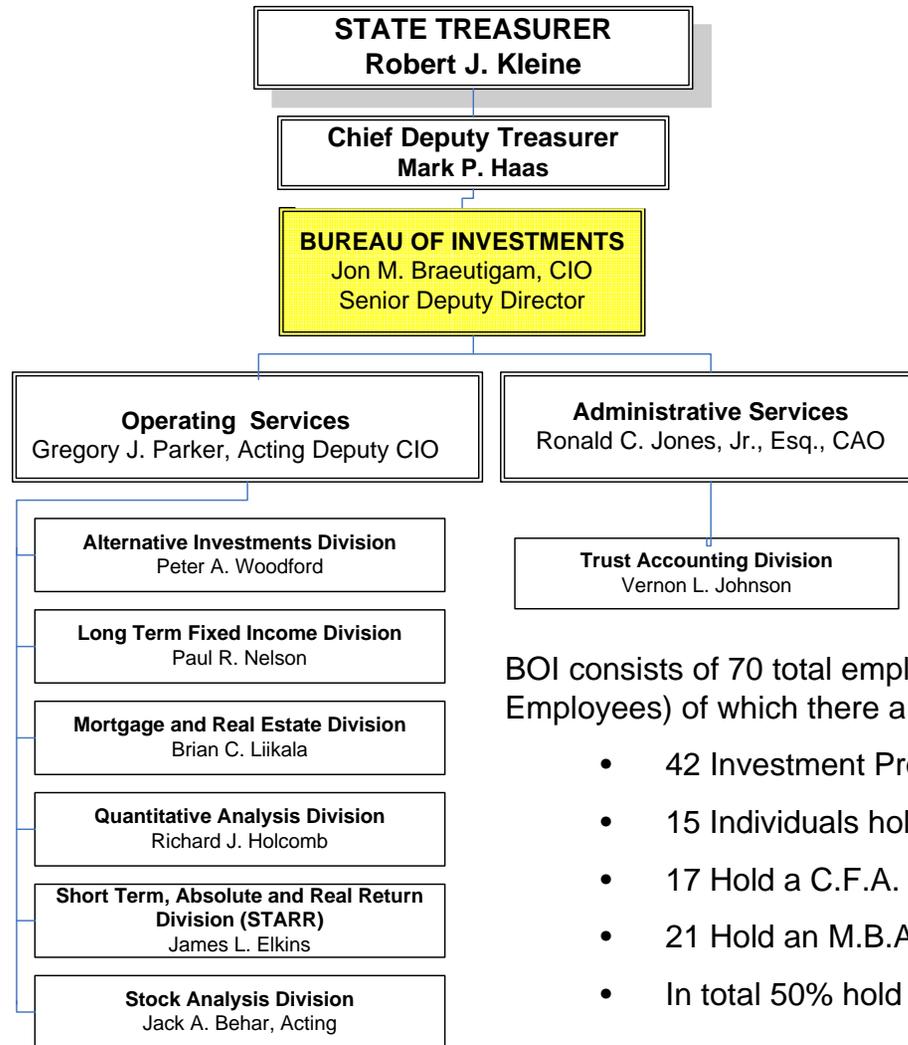
BOI ~ Mission Statement

- ***The Bureau of Investments provides quality investment management services, professional expertise, and advice to the State Treasurer as fiduciary of the State of Michigan Retirement Systems and Michigan boards and agencies. The Bureau strives to provide consistent and cost-effective management of funds to achieve competitive investment returns that meet objectives within an acceptable level of risk for the benefit of employees, retirees, and citizens of the State of Michigan.***



Bureau of Investments (BOI)

As of January 31, 2010



BOI consists of 70 total employees (0.13% of total State Employees) of which there are:

- 42 Investment Professionals
- 15 Individuals hold a C.F.A. and an M.B.A.
- 17 Hold a C.F.A.
- 21 Hold an M.B.A.
- In total 50% hold an M.B.A. or C.F.A. or both.



BOI Investment and Cash Position

As of December 31, 2009

SMRS	\$47,097,038,312
<i>OTHER MAJOR FUNDS</i>	
<i>Hurman Services</i>	
Children's Trust	\$22,063,712
<i>Lottery</i>	
State Lottery	340,773,352
<i>Management and Budget</i>	
401K and 457 Combined Plans	4,642,681,277
<i>Military & Veterans Affairs</i>	
Veterans' Trust	48,830,438
<i>Natural Resources</i>	
Game and Fish Lifetime License Trust	15,186,053
Game and Fish Protection Trust	123,275,222
Natural Resources Trust	545,377,374
Nongame Fish and Wildlife Trust	6,521,348
State Park Endowment	146,200,518
<i>Multiple Agencies</i>	
Gifts, Bequests, and Deposits Fund	15,529,741
Children With Special Needs	19,549,447
<i>Transportation</i>	
Mackinac Bridge Authority	41,919,459
<i>Treasury</i>	
MESP (TIAA-CREF - 529 Plan)	2,125,503,664
Michigan Higher Education Assist. Authority	1,562,593
MET I	232,684,984
MET II	522,189,585
SUBTOTAL FOR TRUST AND AGENCY FUNDS	\$8,849,848,770
<i>COMMON CASH</i>	
State Treasurer's Common Cash	\$2,602,990,379
TOTAL UNDER MANAGEMENT	\$58,549,877,461



Plan Membership Summary

As of September 30, 2009

MEMBER TYPE	MJRS
Retirees & Benef. Receiving Benefits	542
Current Employees Vested	233
Current Employees Non-Vested	1
Inactive Employees Entitled To, But Not Yet Receiving Benefits	9
Total MJRS Members	785

Source: Pension Plans Component Unit Financial Reports Fiscal Year Ended September 30, 2009



Plan Membership Ratio

As of September 30, 2009

Ratio of Active/Retiree	MJRS
Year 2009	.43:1
Year 2008	.48:1
Year 2007	.48:1
Year 2006	.55:1
Year 2005	.59:1

Source: Pension Plans Component Unit Financial Reports Fiscal Year Ended September 30, 2009



MJRS Funded Ratio

Years Ending September

Year	Market Value of Assets	Actuarial Value of Assets	Actuarial Accrued Liability	Funded Ratio Based on Actuarial Value
2009	\$230	\$296	\$245	120.8%
2008	\$270	\$304	\$247	123.1%
2007	\$336	\$301	\$247	121.9%
2006	\$303	\$283	\$244	116.0%
2005	\$284	\$278	\$243	114.4%
2004	\$268	\$287	\$236	121.6%
1983	\$57	\$57	\$81	70.4%
MJRS Estimated Market Value Funded Ratio				
12/31/2009	\$240	- - -	\$245	98.0%

(Figures in millions)

Source: Pension Plans Component Unit Financial Reports and Actuarial Valuations



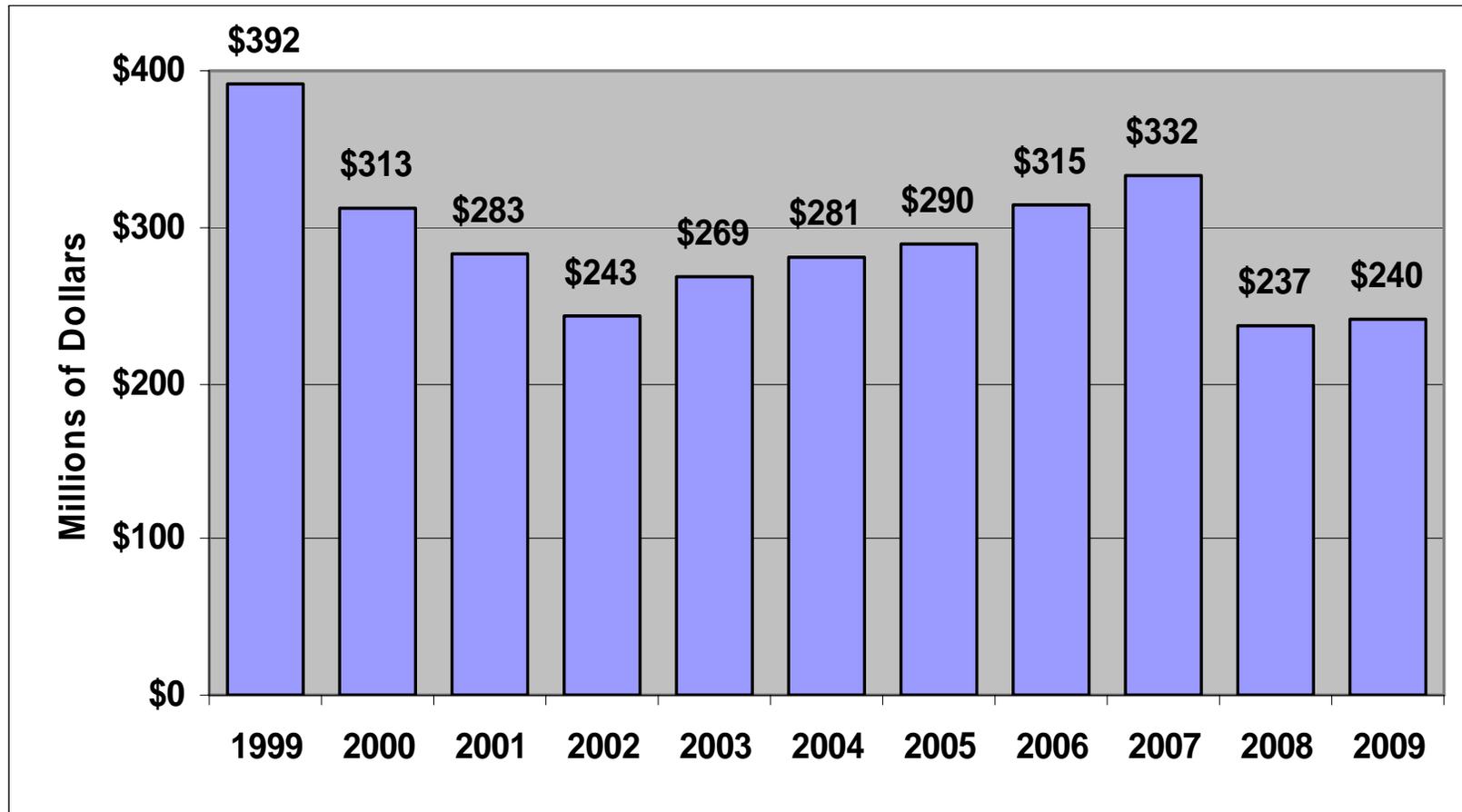
SMRS Market Value by Plan

As of December 31, 2009

	Market Value	
	<i>(In Millions)</i>	%
	<hr/>	<hr/>
Public School Employees	\$36,789	78.1%
State Employees	9,054	19.2%
State Police	1,014	2.2%
Judges	240	0.5%
	<hr/>	<hr/>
TOTAL	\$47,097	100.0%
	<hr/>	<hr/>



MJRS Market Value \$240 Million



Years Ending December 31



MJRS

Contributions and Distributions

FY 2009

Contributions

Members	\$1.6
Employer	<u>0.0</u>

Total Contributions \$1.6

Pension Benefit Distributions 20.1

Net (\$18.5)

- Equal to (per quarter on average) (\$4.6)
- Or about 1.9% of total market value of fund

(Figures are in millions)



MJRS Asset Allocation

As of December 31, 2009

<i>Asset Allocation By Market Value</i>				
(In Millions)				
<u>Investment Strategies</u>	<u>12/31/2009</u>		<u>Target Allocation</u>	
			Target	Range
Domestic Equity	\$92	38.3%	33%	23% - 48%
Fixed Income	39	16.2%	16%	11% - 24%
Alternative Investments	34	14.2%	12%	8% - 14%
International Equity	34	14.2%	15%	10% - 20%
Real Estate	30	12.5%	15%	12% - 18%
Short Term	5	2.1%	2%	1% - 8%
Absolute & Real Retu	6	2.5%	7%	0% - 8%
TOTAL	<u>\$240</u>	<u>100.0%</u>	<u>100.0%</u>	



MJRS Total Plan Universe

Peer Asset Allocation Comparison

(for major asset categories)

	Equities Domestic	Equities Foreign	Fixed Income	Real Estate	Private Equity	Cash Equivalent						
5th Percentile	66.18	26.24	38.07	10.22	19.61	11.80						
25th Percentile	42.66	20.64	29.80	5.70	11.61	7.61						
50th Percentile	37.17	17.75	25.71	3.51	4.39	3.28						
75th Percentile	27.78	12.65	20.68	1.44	0.02	1.45						
95th Percentile	10.95	0.00	4.27	0.00	0.00	0.23						
Total Judges	38.80	42	14.15	67	16.33	90	12.36	3	13.93	12	2.18	68



SMRS by Asset Class

As of January 31, 2010

Domestic Equity

\$16,858 Million in managed funds

31 Strategies

Approximately 1,467 Stocks

Real Estate

\$3,935 Million in managed funds

30 Sponsors

53 Partnerships

Over 2,000 properties

Alternative Investments

\$8,851 Million in managed funds

83 Sponsors

251 Partnerships

3,442 Companies

Short Term Investments

\$869 Million in managed Funds



SMRS by Asset Class

As of January 31, 2010

Fixed Income

\$8,684 Million in managed funds
9 Strategies
Representing 2,849 Positions

Absolute and Real Return (and Opportunistic)

\$1,042 Million in managed funds
20 Strategies

International Equity

\$5,928 Million in managed funds
8 Strategies
Representing 6,300 Stocks

Trust Accounting

Accurately accounted for \$46 million
in Investments - Comprehensive
Annual Financial Report (CAFR)



2009 and 2010 Stock Market Update

Market	Thru 12/31/09		Thru 3/31/10	
	Price Change	12/31/09	Price Change	3/31/10
DJIA	18.82%	10,428	4.11%	10,857
S&P 500	23.45%	1,115	4.87%	1,169
NASDAQ	43.89%	2,269	5.68%	2,398
BMI-EPAC (USD)	30.84%	225.3	0.80%	227.1



Bond Market Environment

Market	2009		Q1 2010	
	Yield Change	12/31/09	Yield Change	3/31/10
30-Year Treasury	196 bp	4.64%	7.18 bp	4.72%
10-Year Treasury	162 bp	3.84%	-1.13 bp	3.83%
5-Year Treasury	113 bp	2.68%	-13.53 bp	2.55%
2-Year Treasury	37 bp	1.14%	-11.96 bp	1.02%
Fed Funds	0 bp	0.25%	0 bp	0.25%



S&P 500 - Last 10 Years





MJRS FUND
Time-Weighted Rate of Return
Public Funds (DB) > \$1 Billion

As of December 31, 2009

	<u>1 Year</u> <u>Rate</u>	<u>5 Years</u> <u>Rate</u>	<u>10 Years</u> <u>Rate</u>
TOTAL PLAN	9.9	3.3	3.1
Median - Greater than \$1 Billion	18.2	3.3	3.3



MJRS FUND

Time-Weighted Rate of Return

Public Funds (DB) > \$5 Billion

Close to peer in 3, 5, and 10 year time periods

As of December 31, 2009

	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>
5th Percentile	24.61	3.19	5.43	5.12
25th Percentile	20.65	-0.67	3.85	3.84
50th Percentile	16.27	-1.85	3.21	3.28
75th Percentile	10.57	-3.42	2.59	2.86
95th Percentile	5.60	-4.73	1.02	1.88
Total Judges	9.89 77	-2.17 68	3.28 48	3.06 66



MJRS FUND

One Year Returns

Public Funds (DB) > \$1 Billion
Beat peers 4 out of 5 years

Year Ending

	<u>12/31/09</u>	<u>12/31/08</u>	<u>12/31/07</u>	<u>12/31/06</u>	<u>12/31/05</u>
5th Percentile	27.04	-21.54	11.23	15.96	10.57
25th Percentile	21.35	-24.23	10.25	15.05	8.78
50th Percentile	18.19	-25.95	9.21	14.40	7.87
75th Percentile	14.63	-27.66	7.80	13.40	6.99
95th Percentile	7.22	-30.13	6.31	11.09	5.64
Total Judges	9.89 89	-23.25 12	11.02 9	14.80 36	9.31 15



Time-Weighted Rates of Return

Individual asset classes doing very well on a relative basis

Asset Class w/Benchmark	CY 2009			
	Five Year		One Year	
	Rate	Rank	Rate	Rank
Total Plan	3.3%	52	9.9%	89
Median*	3.3%		18.2%	
Domestic Equities	1.2%		31.0%	
S&P 1500 Index	0.7%		27.3%	
International Equities	4.1%		39.6%	
S&P Developed BMI-EPAC net 50/50	4.0%		31.4%	
Private Equity	11.9%		-2.1%	
S&P 500 +300 bp	4.3%		29.2%	

*State Street Universe of Public Funds > \$1 Billion



Time-Weighted Rates of Return

Asset Class w/Benchmark	CY 2009			
	Five Year		One Year	
	Rate	Rank	Rate	Rank
Real Estate	1.9%		-30.9%	
NCREIF Open Fund Index Net	-0.2%		-30.3%	
Bonds	5.8%		11.5%	
Barclays Govt/Credit	4.7%		4.5%	
Cash Equivalents	2.5%		1.9%	
30-Day T-Bill	2.7%		0.1%	

*State Street Universe of Public Funds > \$1 Billion



Disclaimer



This presentation was given solely for the purpose of explaining the structure and investment process for the State of Michigan Retirement Systems. It should not be interpreted in any way as financial advice.