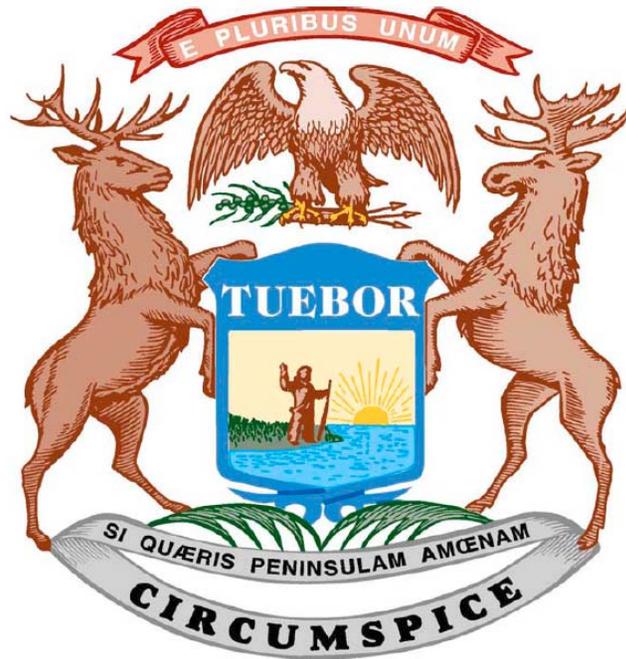




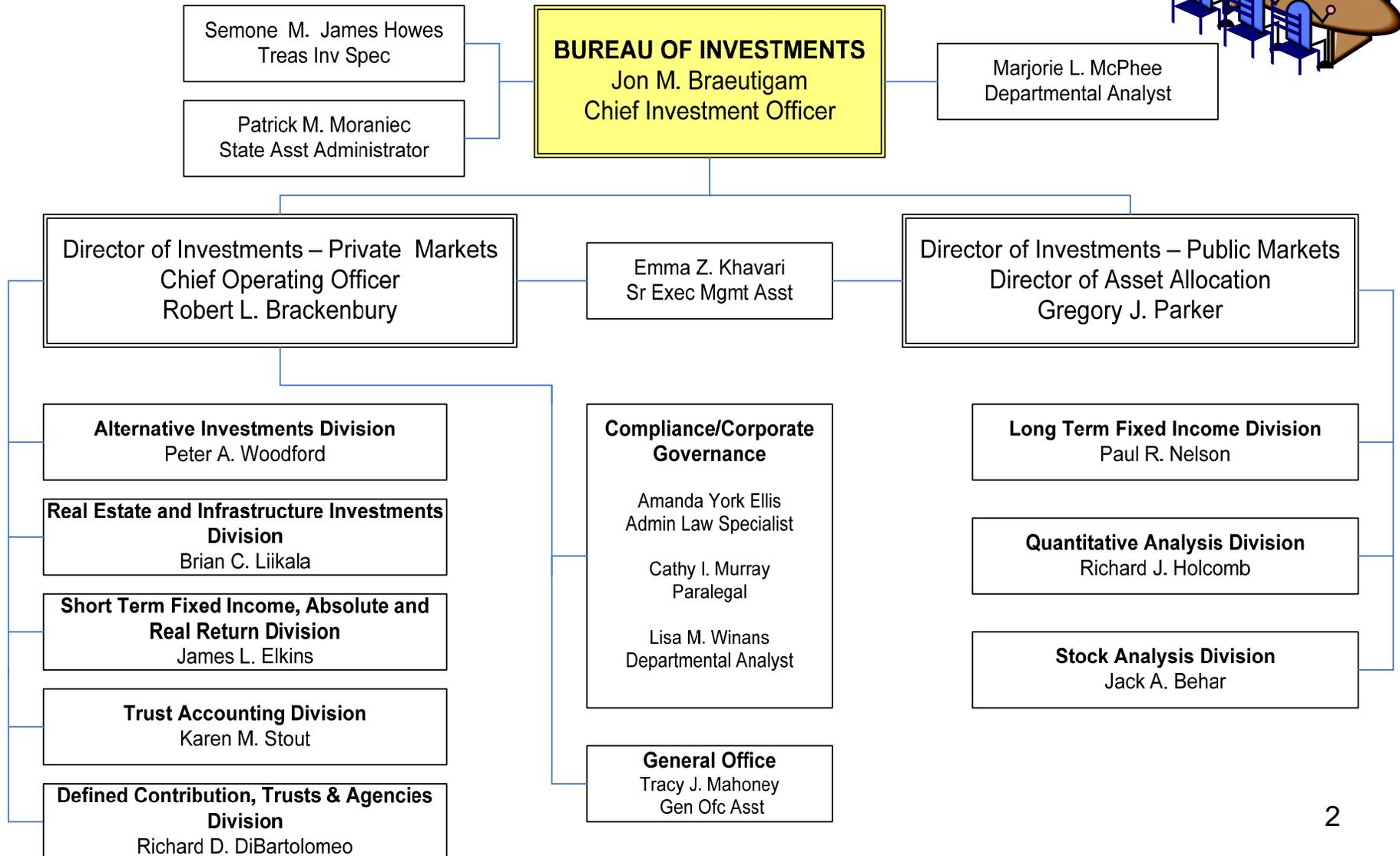
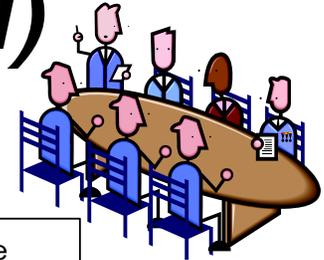
# Michigan Department of Treasury Bureau of Investments



**Jon M. Braeutigam**  
Chief Investment Officer  
April 18, 2013



# Bureau of Investments (BOI) As of March 2013

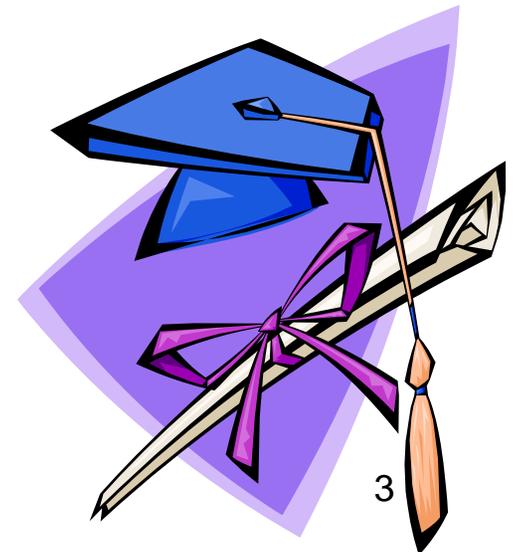




# ***Bureau of Investments (BOI)***

## ***As of March 2013***

- 72 BOI Employees
- 43 Investment Professionals
- 32 Individuals with a Masters Degree or higher
- 19 C.F.A.
- 9 other professional designations





# BOI Investment and Cash Position

## As of December 31, 2012



<b>TOTAL RETIREMENT RELATED - DB and DC Plans</b>	<b>\$56,316,540,970</b>
<i>OTHER MAJOR FUNDS</i>	
<u>Health Care Account</u>	
<b>MPSERS Health Care Account</b>	<b>\$567,214,698</b>
<u>Family Independence Agency</u>	
<b>Children's Trust</b>	<b>\$24,587,802</b>
<u>Lottery</u>	
<b>State Lottery</b>	<b>327,168,494</b>
<u>Military &amp; Veterans Affairs</u>	
<b>Veterans' Trust</b>	<b>53,833,179</b>
<u>Natural Resources and Environment</u>	
<b>Game and Fish Lifetime License Trust</b>	<b>21,028,839</b>
<b>Game and Fish Protection Trust</b>	<b>210,241,575</b>
<b>Natural Resources Trust</b>	<b>700,760,972</b>
<b>Nongame Fish and Wildlife Trust</b>	<b>6,942,277</b>
<b>State Park Endowment</b>	<b>210,687,536</b>
<u>Multiple Agencies</u>	
<b>Gifts, Bequests, and Deposits Fund</b>	<b>18,243,190</b>
<b>Children With Special Needs</b>	<b>21,593,534</b>
<u>Transportation</u>	
<b>Mackinac Bridge Authority</b>	<b>62,424,308</b>
<u>Treasury</u>	
<b>MESP (TIAA-CREF - 529 Plan)</b>	<b>3,126,859,884</b>
<b>MI 529 Advisor Plan</b>	<b>179,919,688</b>
<b>Michigan Higher Education Assist. Authority</b>	<b>0</b>
<b>MET I</b>	<b>137,672,634</b>
<b>MET II</b>	<b>684,185,594</b>
<b>SUBTOTAL FOR TRUST AND AGENCY FUNDS</b>	<b>\$6,353,364,204</b>
<i>COMMON CASH</i>	
<b>State Treasurer's Common Cash</b>	<b>\$2,772,016,806</b>
<b>TOTAL UNDER MANAGEMENT</b>	<b>\$65,441,921,980</b>



# *Plan Membership Summary*

*As of September 30, 2012*

<b>MEMBER TYPE</b>	<b>MSERS</b>
<b>Retirees &amp; Benef. Receiving Benefits</b>	<b>56,288</b>
<b>Current Employees Vested</b>	<b>17,401</b>
<b>Current Employees Non-Vested</b>	<b>459</b>
<b>Current Employees Active in DC Plan</b>	<b>516</b>
<b>Inactive Employees Entitled To, But Not Yet Receiving Benefits</b>	<b>5,755</b>
<b>TOTAL MSERS MEMBERS</b>	<b>80,419</b>



# ***MRSERS Funded Ratio***

**Years Ending September**

<b>Year</b>	<b>Market Value of Assets</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability</b>	<b>Funded Ratio Based on Actuarial Value</b>
<b>2011</b>	<b>\$8,655</b>	<b>\$10,212</b>	<b>\$15,597</b>	<b>65.5%</b>
<b>2010</b>	<b>\$8,940</b>	<b>\$10,782</b>	<b>\$14,860</b>	<b>72.6%</b>
<b>2009</b>	<b>\$8,583</b>	<b>\$11,107</b>	<b>\$14,234</b>	<b>78.0%</b>
<b>2008</b>	<b>\$9,786</b>	<b>\$11,403</b>	<b>\$13,766</b>	<b>82.8%</b>
<b>2007</b>	<b>\$12,103</b>	<b>\$11,344</b>	<b>\$13,162</b>	<b>86.2%</b>
<b>2006</b>	<b>\$10,890</b>	<b>\$10,111</b>	<b>\$12,799</b>	<b>79.0%</b>
<b>2005</b>	<b>\$10,131</b>	<b>\$9,897</b>	<b>\$12,400</b>	<b>79.8%</b>
<b>2004</b>	<b>\$9,428</b>	<b>\$10,149</b>	<b>\$12,004</b>	<b>84.5%</b>
<b>1983</b>	<b>\$1,842</b>	<b>\$1,752</b>	<b>\$2,369</b>	<b>74.0%</b>
<b><i>MRSERS Estimated Market Value Funded Ratio</i></b>				
<b>2/28/2013</b>	<b>\$10,029</b>	<b>- - -</b>	<b>\$15,597</b>	<b>64.3%</b>

(\$ in Millions)

Source: Pension Plans Component Unit Financial Reports and Actuarial Valuations



# ***MSERS***

## ***Contributions and Distributions***

### ***FY 2012***

#### **Contributions**

Employer	\$420.0
Members	<u>33.0</u>

**Total Contributions** \$453.0

Pension Benefit Distributions 1,156.0

**Net** **(\$703.0)**

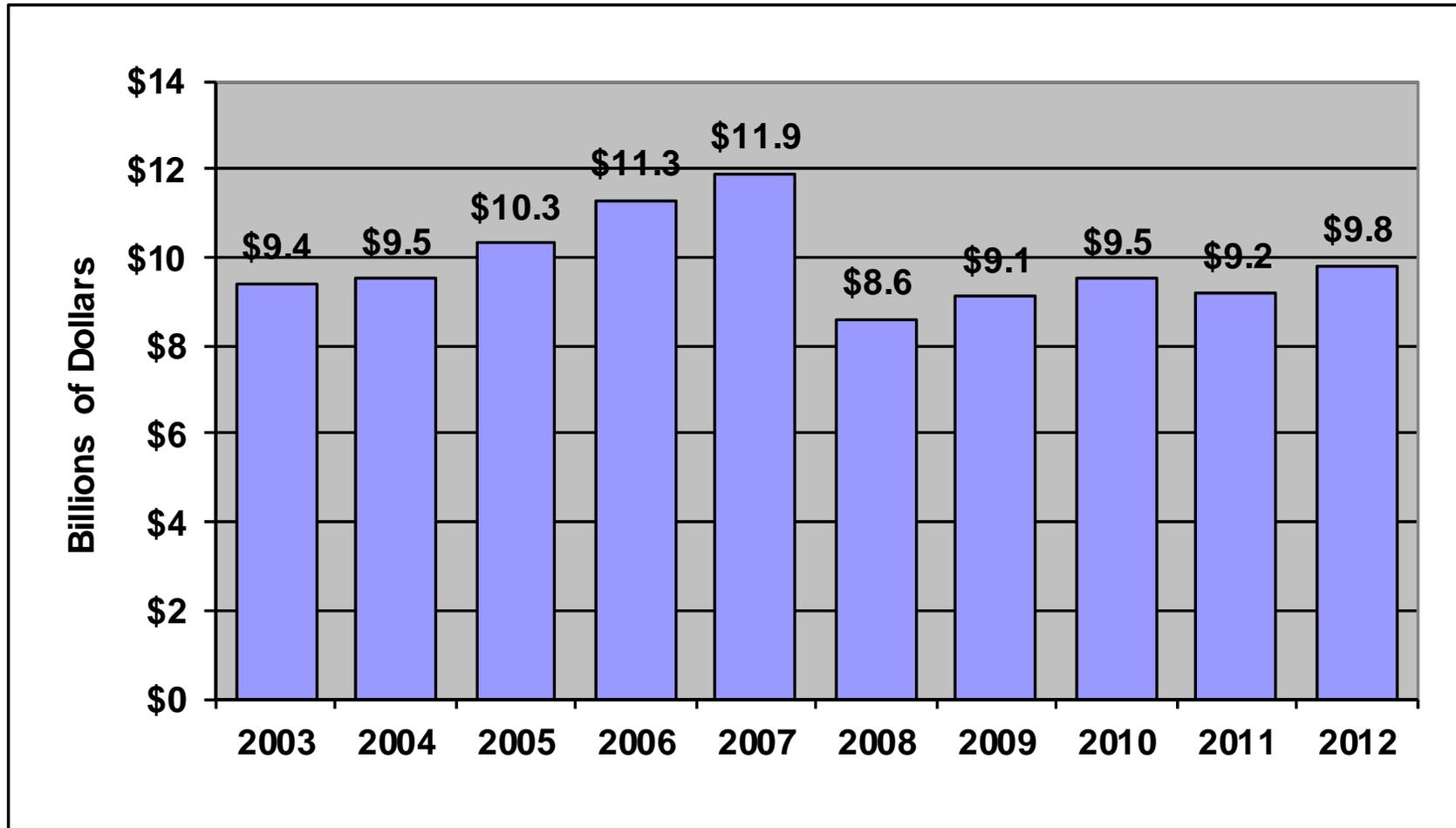
- Equal to (per quarter on average) (\$175.8)
- Or about 7.0% of total market value of fund

Figures are in millions



# ***MRSERS Market Value***

## ***\$9.8 Billion***



Years Ending December 31



# ***MRSERS Asset Allocation***

## ***As of February 28, 2013***

<b>Investment Strategies</b>	<b>2/28/2013</b>		<b>Target Allocation</b>	
			<b>Target</b>	<b>Range</b>
<b>Domestic Equity</b>	<b>\$2,741</b>	<b>27.3%</b>	<b>33%</b>	<b>20% - 50%</b>
<b>Alternative Investments</b>	<b>2,035</b>	<b>20.3%</b>	<b>14%</b>	<b>10% - 20%</b>
<b>International Equity</b>	<b>1,487</b>	<b>14.8%</b>	<b>16%</b>	<b>10% - 20%</b>
<b>Fixed Income</b>	<b>1,310</b>	<b>13.1%</b>	<b>16%</b>	<b>10% - 25%</b>
<b>Real Estate &amp; Infra.</b>	<b>1,029</b>	<b>10.3%</b>	<b>9%</b>	<b>0% - 15%</b>
<b>Short Term</b>	<b>527</b>	<b>5.2%</b>	<b>2%</b>	<b>1% - 9%</b>
<b>Real Return &amp; Opport.</b>	<b>503</b>	<b>5.0%</b>	<b>4%</b>	<b>0% - 10%</b>
<b>Absolute Return</b>	<b>397</b>	<b>4.0%</b>	<b>6%</b>	<b>0% - 12%</b>
<b>TOTAL</b>	<b>\$10,029</b>	<b>100.0%</b>	<b>100%</b>	



# ***SMRS by Asset Class***

***As of December 31, 2012***

## **Domestic Equity**

\$13.2 Billion in managed funds

23 Strategies

Approximately 1,200 Stocks

## **Real Estate**

\$5.2 Billion in managed funds

40 Advisors

61 Accounts

## **Alternative Investments**

\$10.5 Billion in managed funds

84 Sponsors

266 Partnerships

3,448 Companies

## **Absolute and Real Return**

**(and Opportunistic)**

\$4.7 Billion in managed funds

4 Strategies

107 Managers



# ***SMRS by Asset Class***

***As of December 31, 2012***

## **Fixed Income**

\$6.8 Billion in managed funds

8 Strategies

Represents Over 2,417 Positions

## **Short Term Investments**

\$2.9 Billion in Managed Funds

## **International Equity**

\$7.4 Billion in managed funds

16 Strategies

Representing 5,100 Stocks

## **Trust Accounting**

Approximately 100,000  
transactions annually

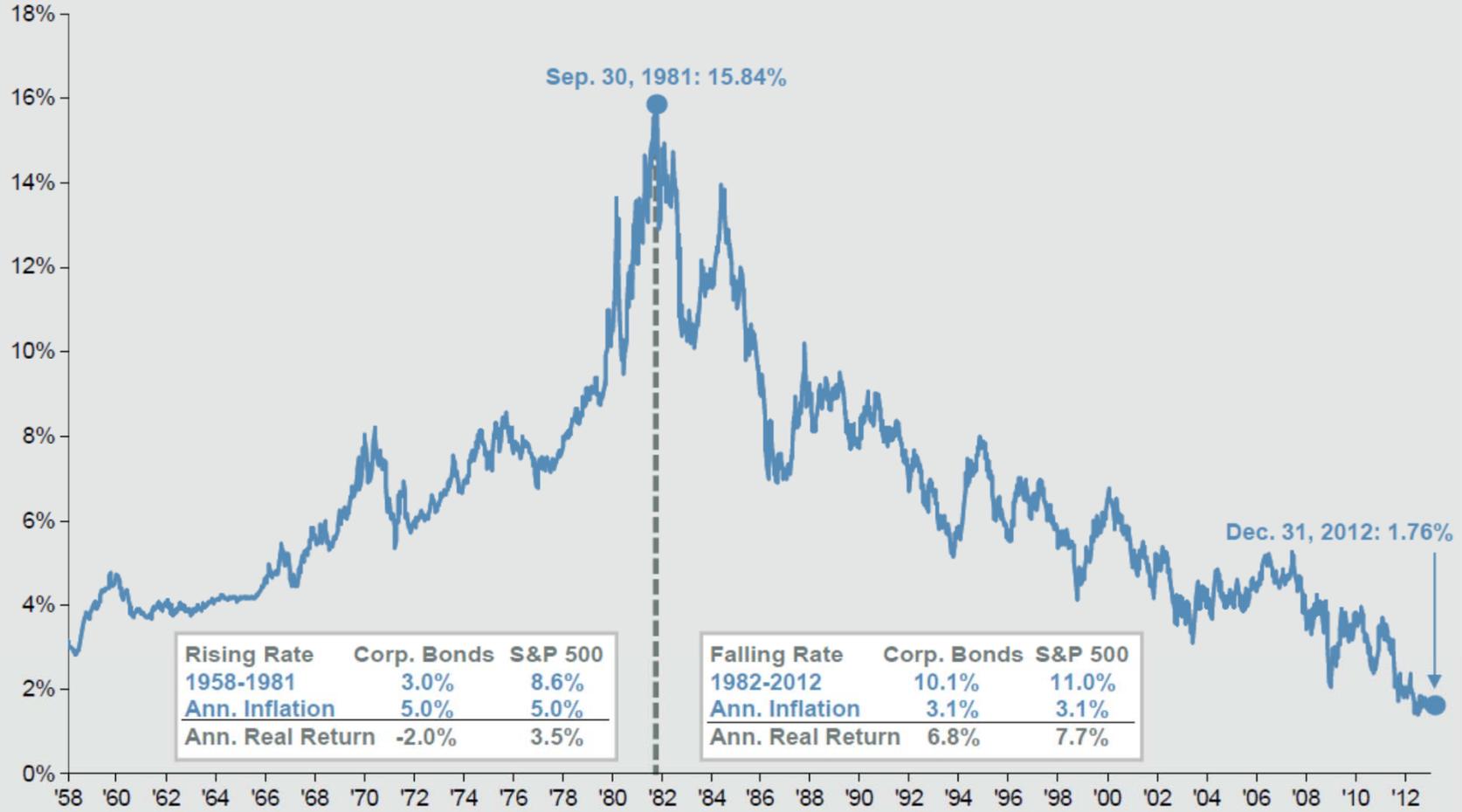


MARKET INSIGHTS

Interest Rates and Market Performance

Fixed Income

10-Year Treasury Yields and Real Capital Market Returns



Source: Federal Reserve, Standard & Poor's, BLS, Strategas, J.P. Morgan Asset Management.

All returns above reflect annualized total returns, which include reinvestment of dividends. Corporate bond returns are based on a composite index of investment grade bond performance.

Data are as of 12/31/12.



## *Stock Market Update*

Market	As of 12/31/12		Thru 3/27/13	
	1 Year Price Change	12/31/12	Year-to-Date Price Change	3/27/13
<b>DJIA</b>	<b>7.3%</b>	<b>13,104</b>	<b>10.8%</b>	<b>14,526</b>
<b>S&amp;P 500</b>	<b>13.4%</b>	<b>1,426</b>	<b>9.6%</b>	<b>1,563</b>
<b>NASDAQ</b>	<b>15.9%</b>	<b>3,019</b>	<b>7.8%</b>	<b>3,257</b>
<b>MSCI ACWI Ex US</b>	<b>14.7%</b>	<b>236.0</b>	<b>5.3%</b>	<b>358.0</b>



# S&P 500 – Last 10 Years





# ***MSERS FUND***

## ***Time-Weighted Rate of Return***

### ***Public Funds (DB) > \$10 Billion***

#### ***As of December 31, 2012***

	<u>1 Year</u> Rate	<u>3 Years</u> Rate	<u>5 Years</u> Rate	<u>7 Years</u> Rate	<u>10 Years</u> Rate
<b>TOTAL PLAN</b>	12.6	9.3	2.0	5.1	7.4
Median - Greater than \$10 Billion	13.5	9.2	2.4	5.2	7.7



# Time-Weighted Rates of Return

*Individual asset classes doing very well on a relative basis*

Asset Class w/Benchmark	CY 2012	
	Three Years Rate	One Year Rate
<b>Total Plan</b>	<b>9.3%</b>	<b>12.6%</b>
Median*	9.2%	13.5%
<b>Domestic Equities</b>	<b>10.3%</b>	<b>16.8%</b>
S&P 1500 Index	11.2%	16.2%
<b>International Equities</b>	<b>5.2%</b>	<b>19.4%</b>
MSCI ACWI Ex US	3.7%	17.4%
<b>Private Equity</b>	<b>16.3%</b>	<b>14.4%</b>
Alternative Blended Benchmark	17.9%	32.8%

\*Comparison universe is the State Street Universe comprised of Public Funds greater than \$10 Billion on the Total Plan level and greater than \$1 Billion for asset classes.



# *Time-Weighted Rates of Return*

Asset Class w/Benchmark	CY 2012	
	Three Years Rate	One Year Rate
<b>Real Estate</b>	<b>8.4%</b>	<b>8.7%</b>
NCREIF Open Fund Index Net	13.3%	9.8%
<b>Bonds</b>	<b>7.0%</b>	<b>5.8%</b>
Barclays Govt/Credit	6.7%	4.8%
<b>Cash Equivalents</b>	<b>0.3%</b>	<b>0.3%</b>
30-Day T-Bill	0.1%	0.1%

\*Comparison universe is the State Street Universe comprised of Public Funds greater than \$10 Billion on the Total Plan level and greater than \$1 Billion for asset classes.



## ***U.S. Economy***

- Getting Stronger
- Housing has turned up
- Auto sales are doing well
- Energy – less dependence on foreign sources
- Deficit projections are falling
- Consumer debt service is low
- Stock market near all time high
- Corporations have strong balance sheets



## ***Still Needed***

- Need to address U.S., states, and municipalities long-term liabilities
- World is uncertain (Iran, North Korea)
- Europe's woes