



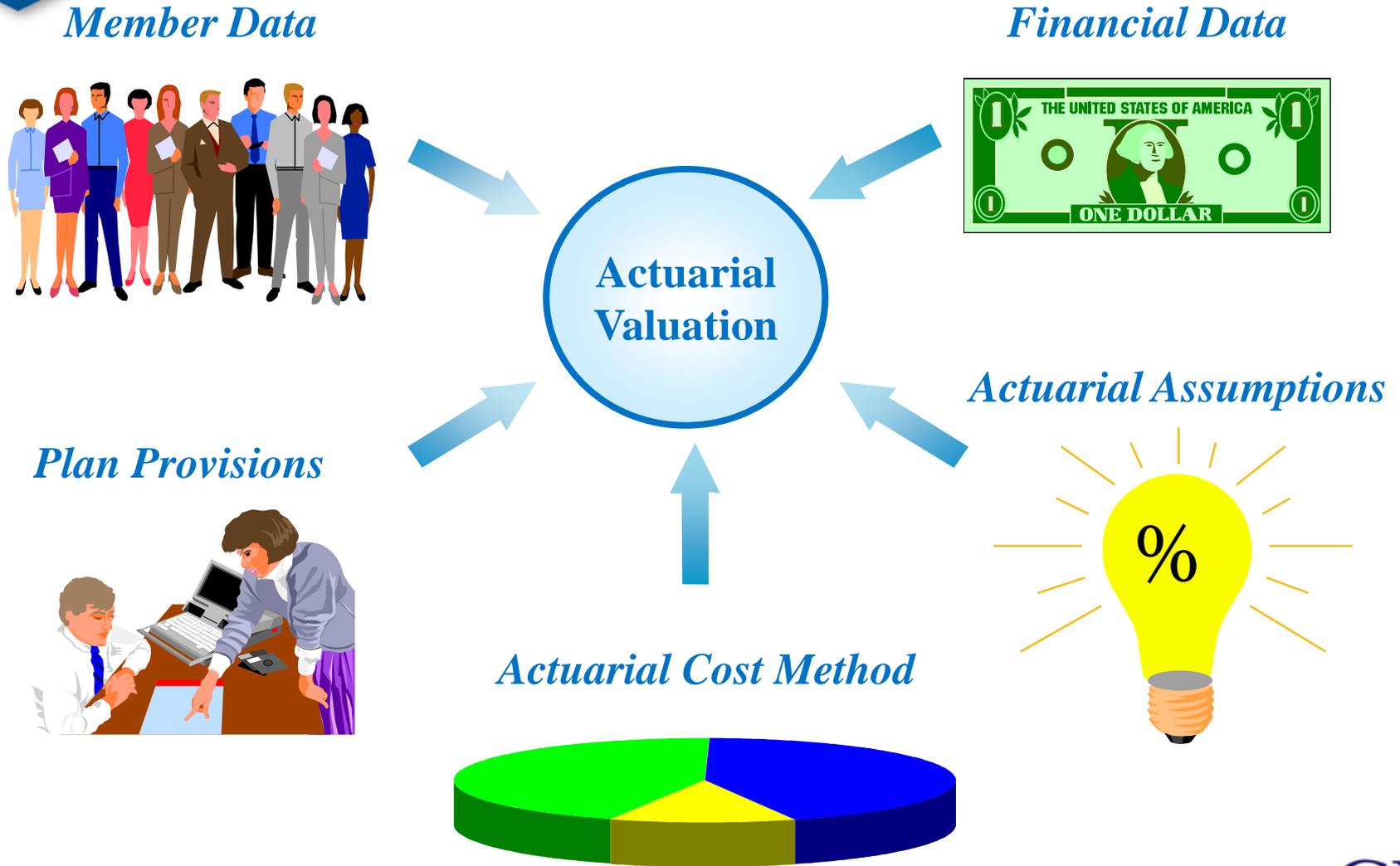
Michigan State Employees Retirement System

Pension Actuarial Valuation Results
as of September 30, 2010



Gabriel Roeder Smith & Company
Consultants & Actuaries
www.gabrielroeder.com

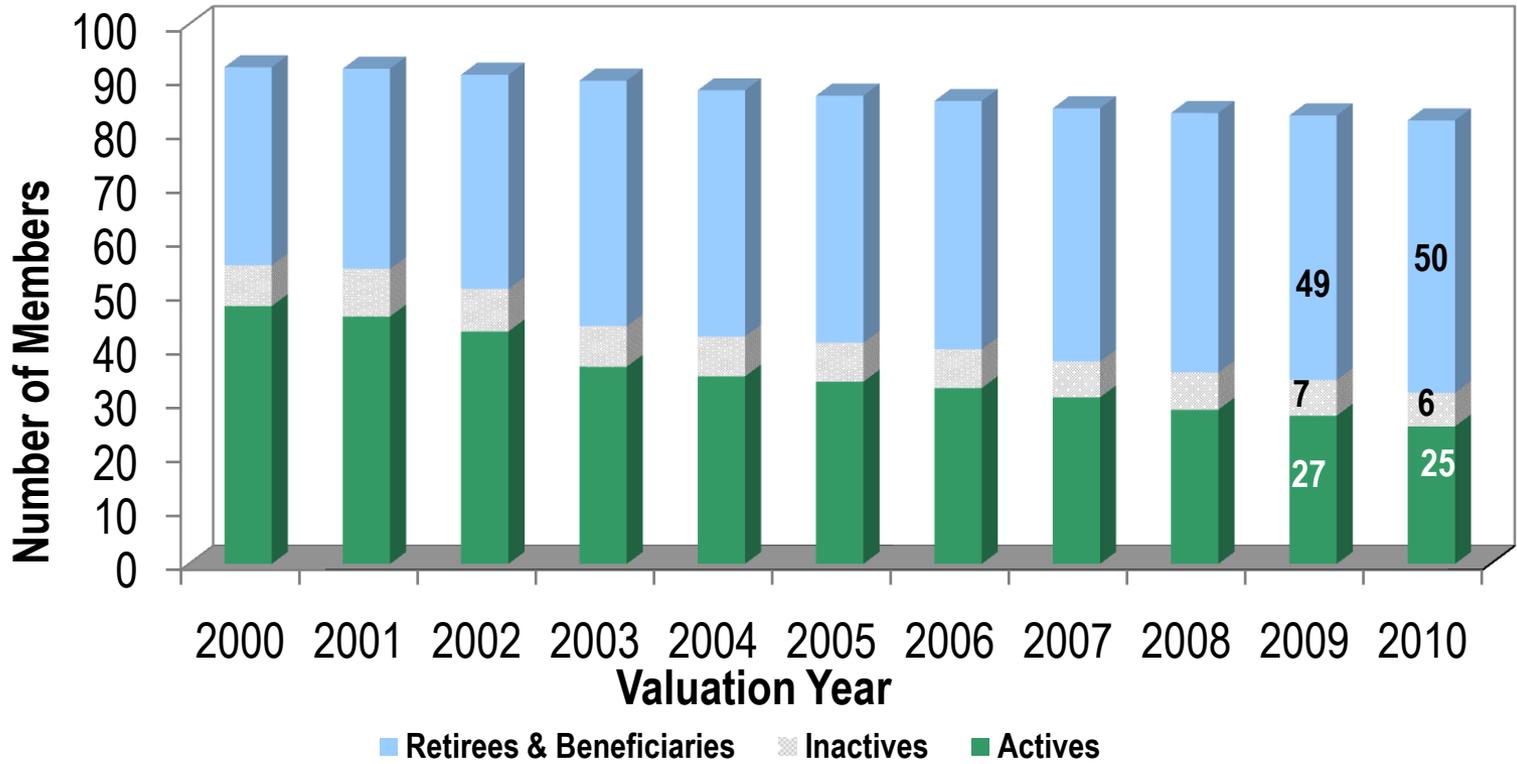
Actuarial Valuation Process





Membership Data

(Counts in Thousands)





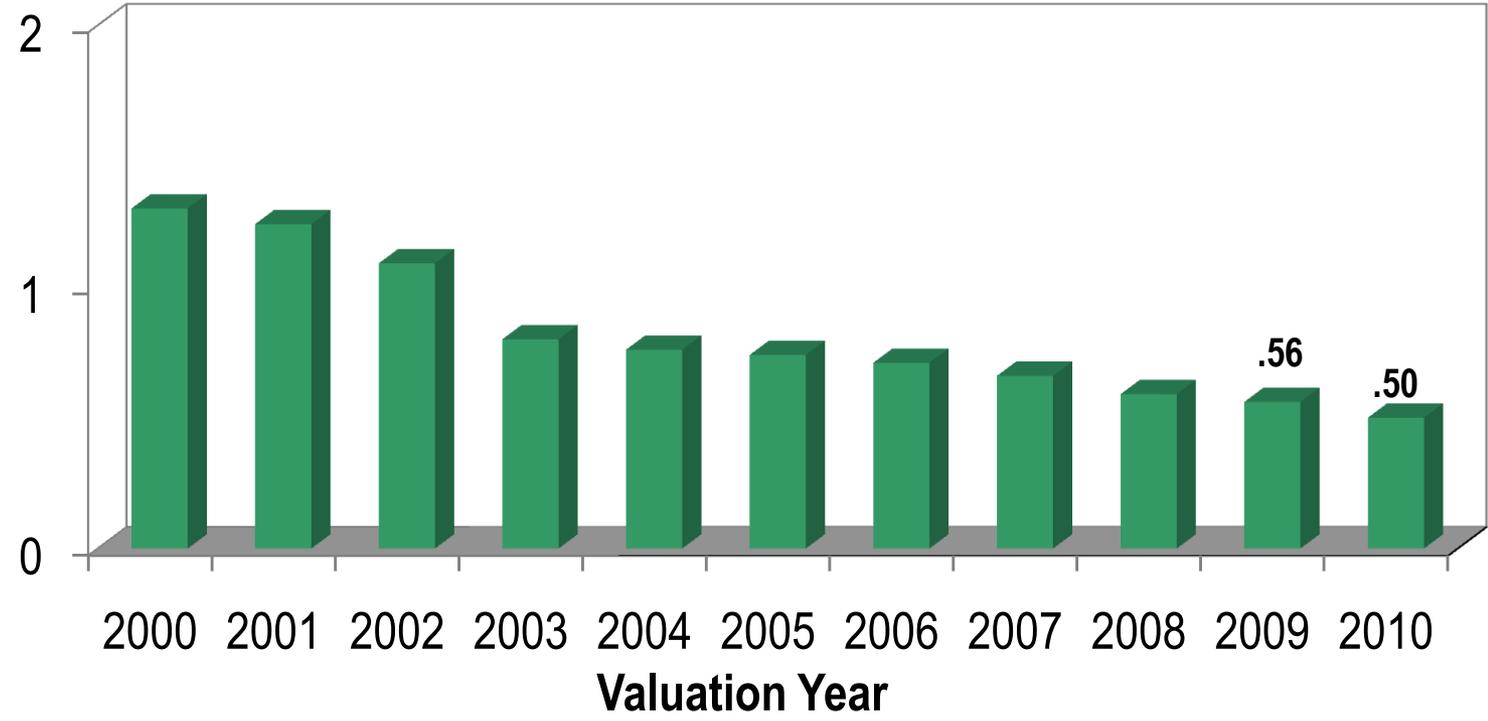
Active Members by Classification

(Counts in Thousands)



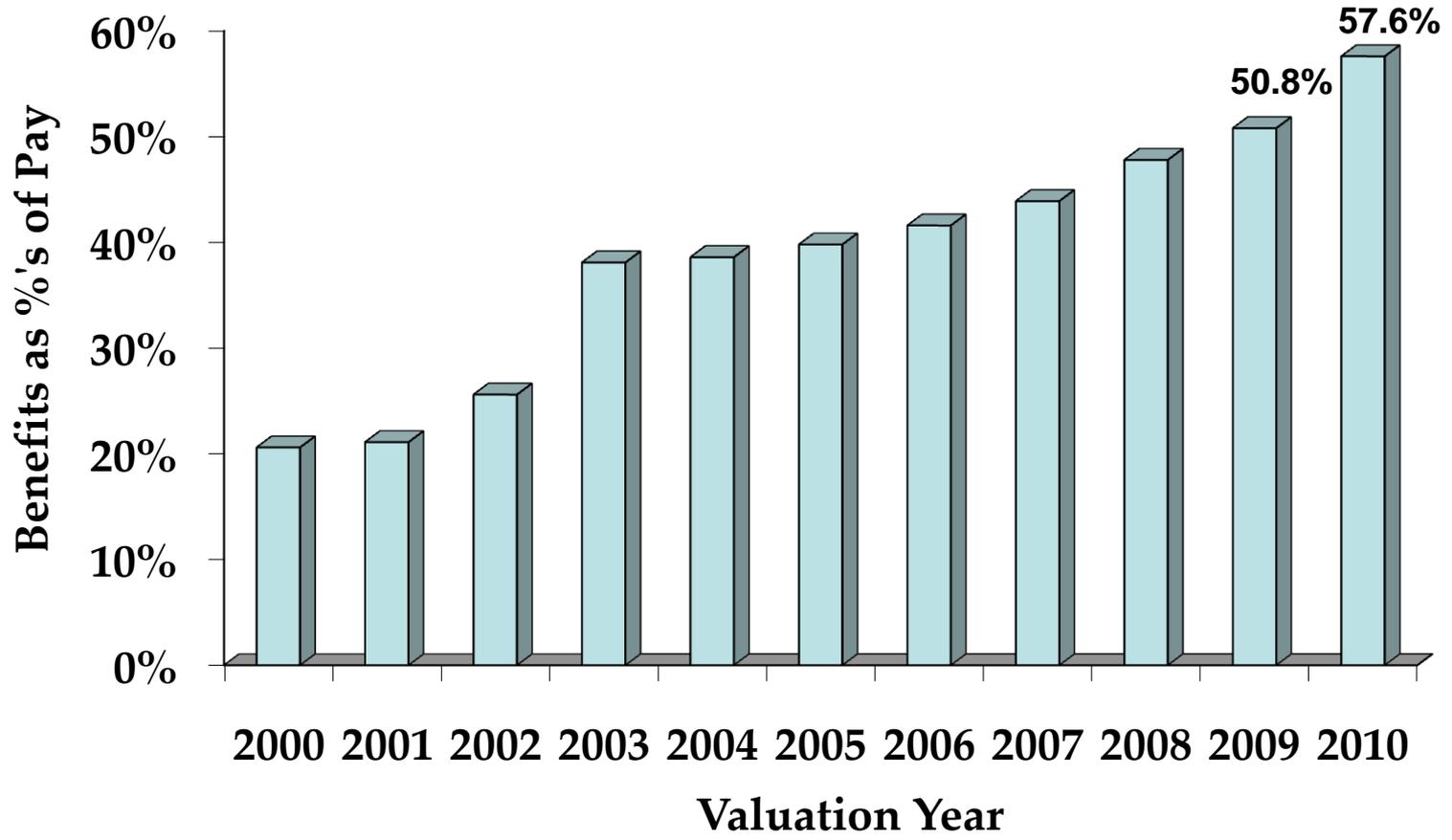


Ratio of Active Members to Pension Benefit Recipients



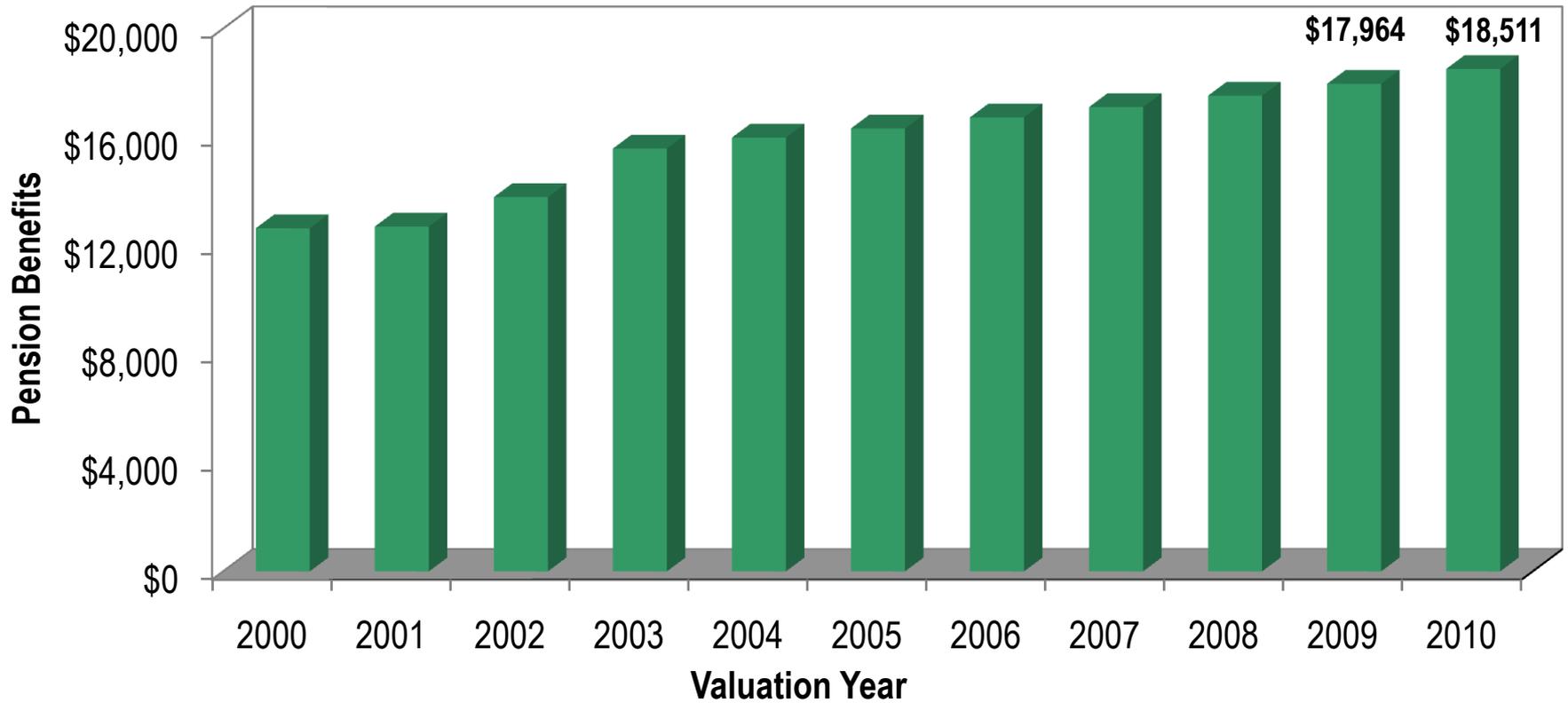


Pension Benefits Expressed as %'s of Active Member Pay



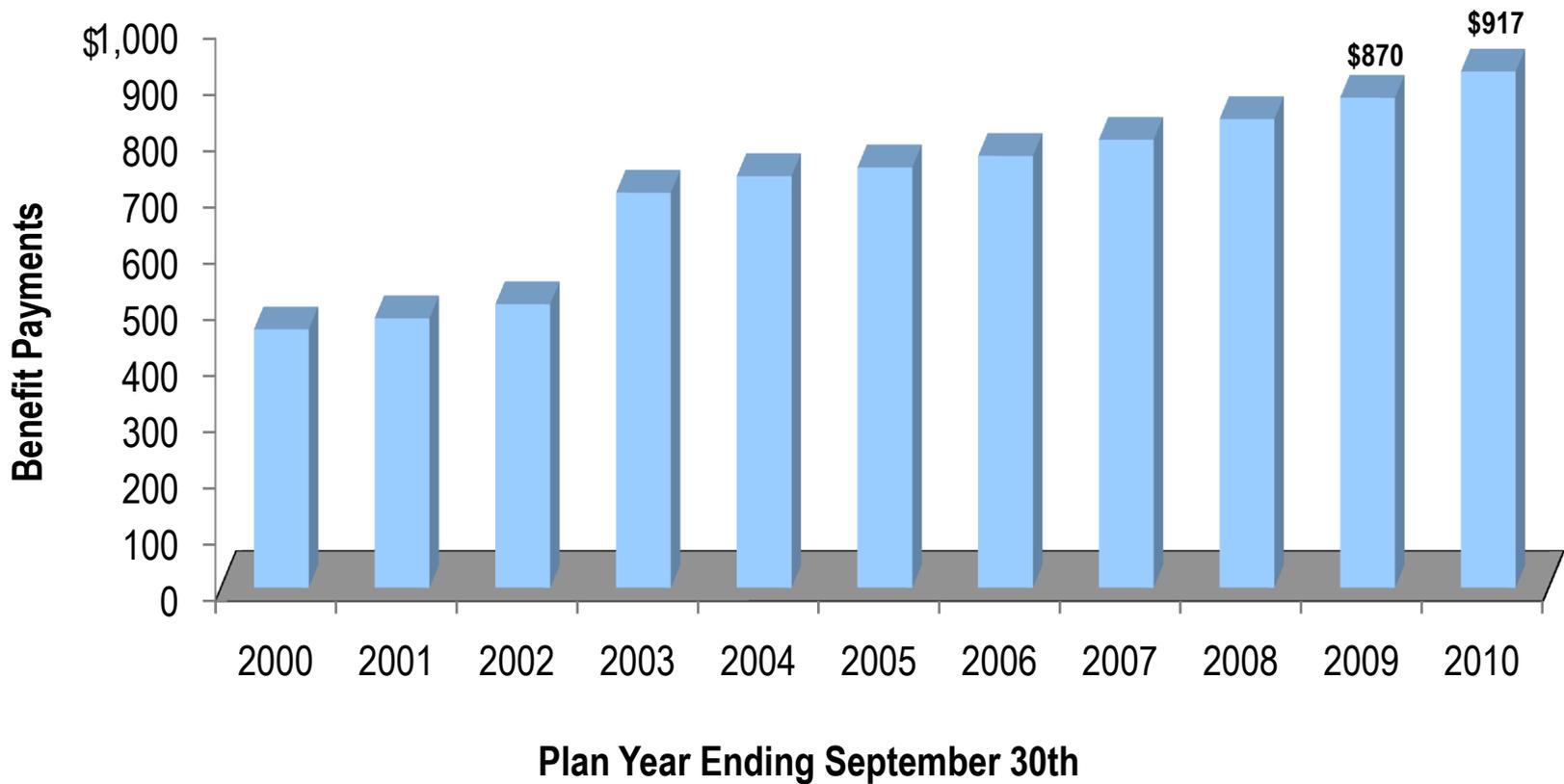


Average Annual Pensions





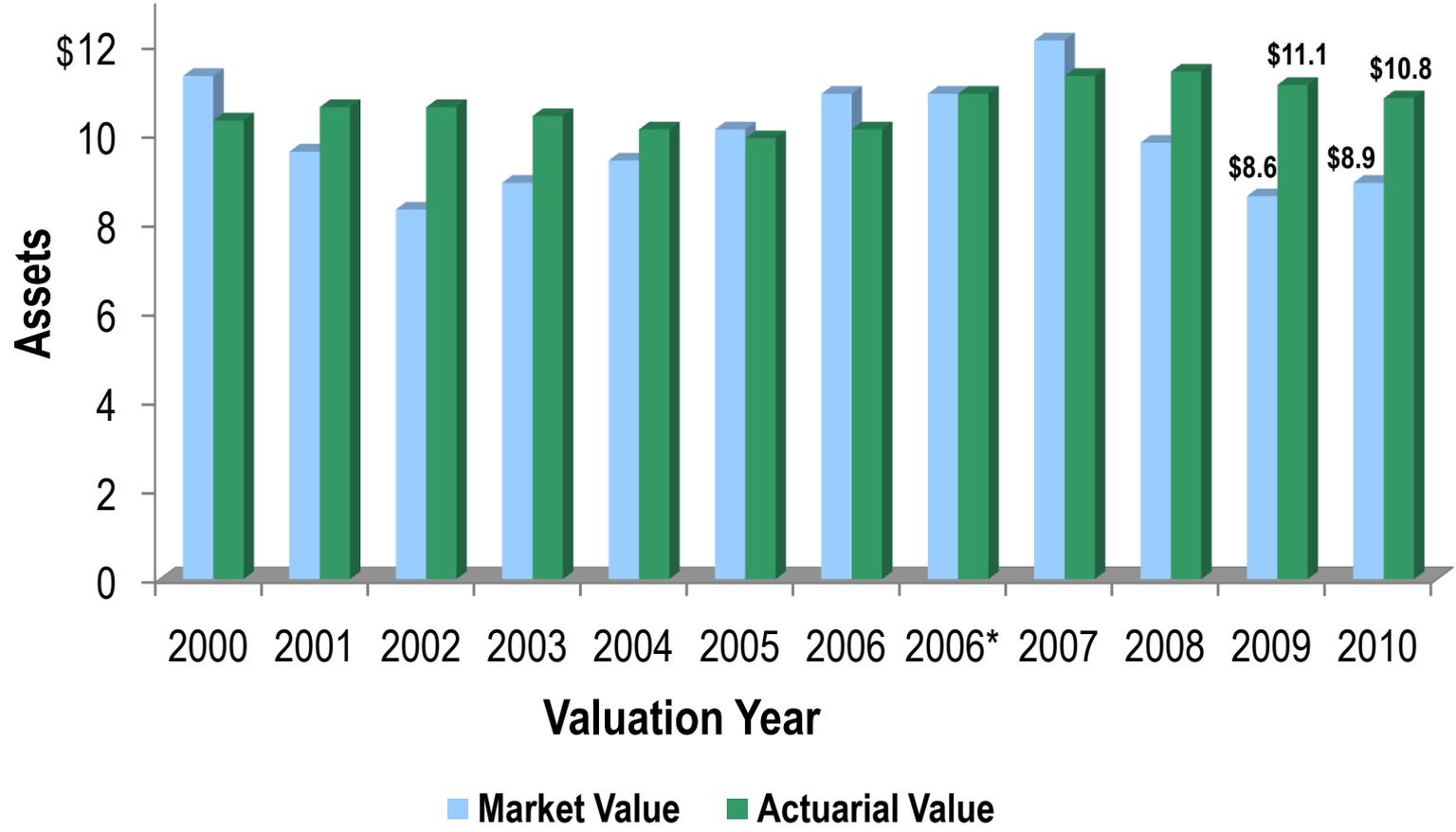
Pension Benefit Payments by Fiscal Year (Amounts in Millions)





Growth of Pension Assets

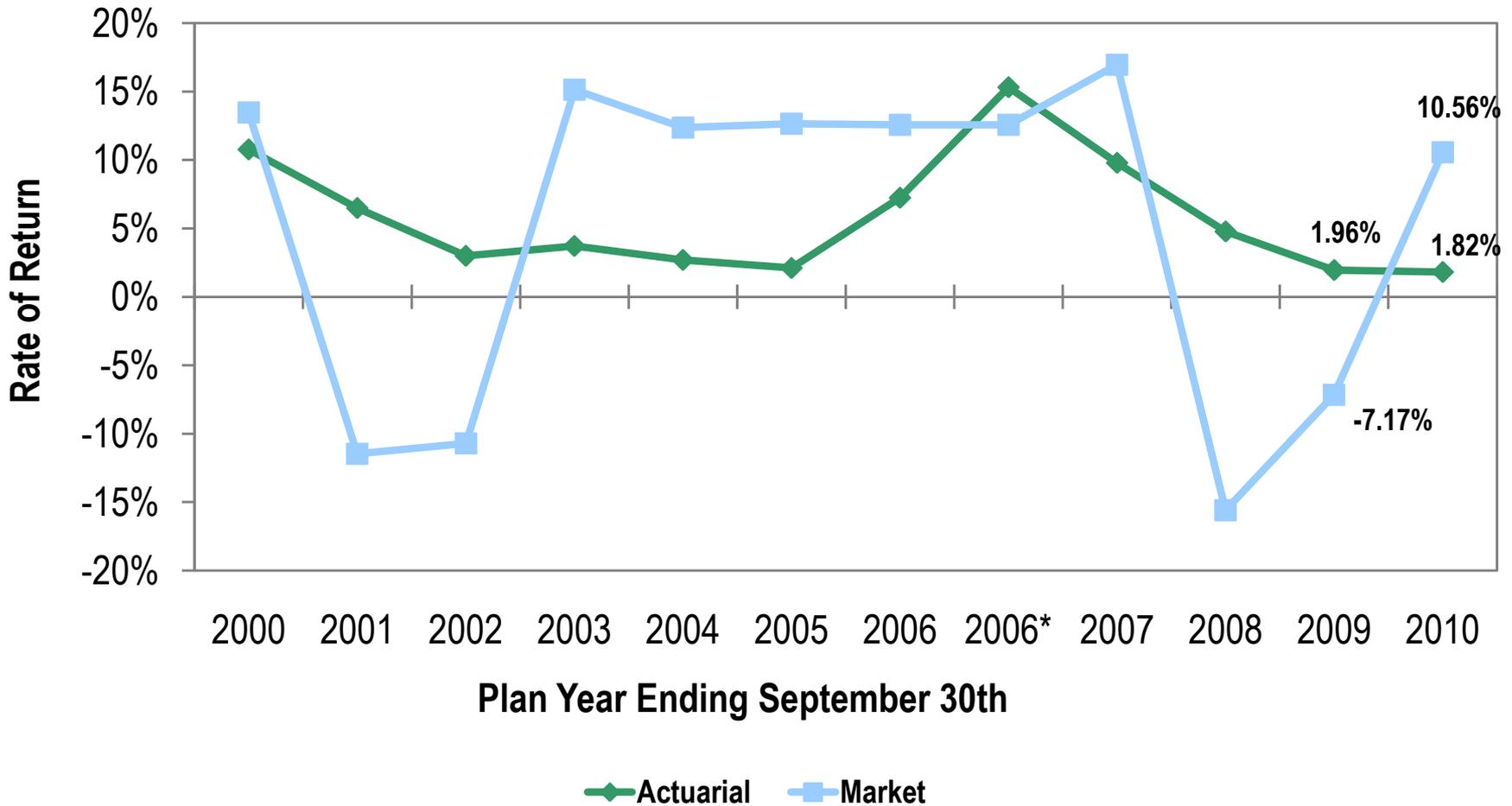
(Amounts in Billions)



* After adjusting to market value.



Actuarial & Market Net Rates of Return

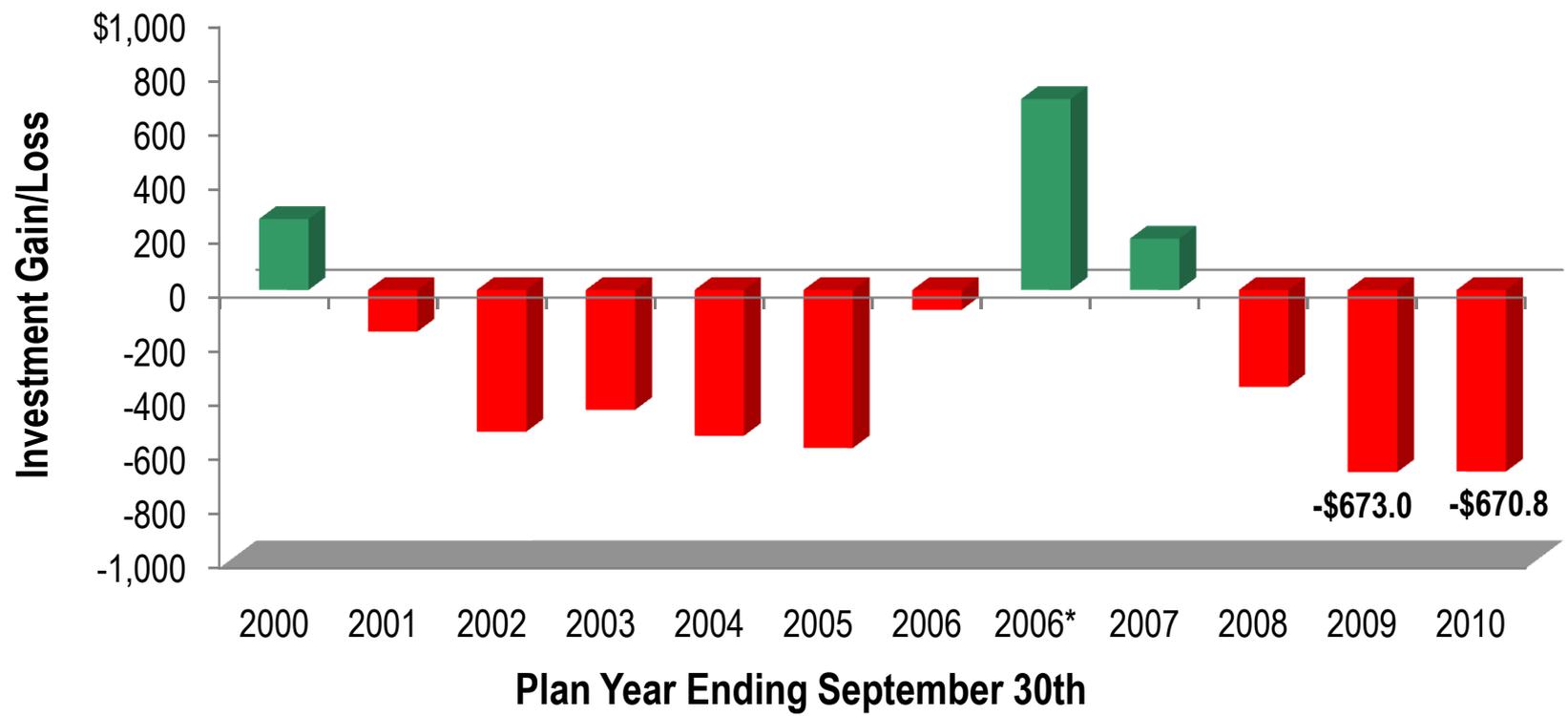


* After adjusting to market value.



Investment Gain/Loss

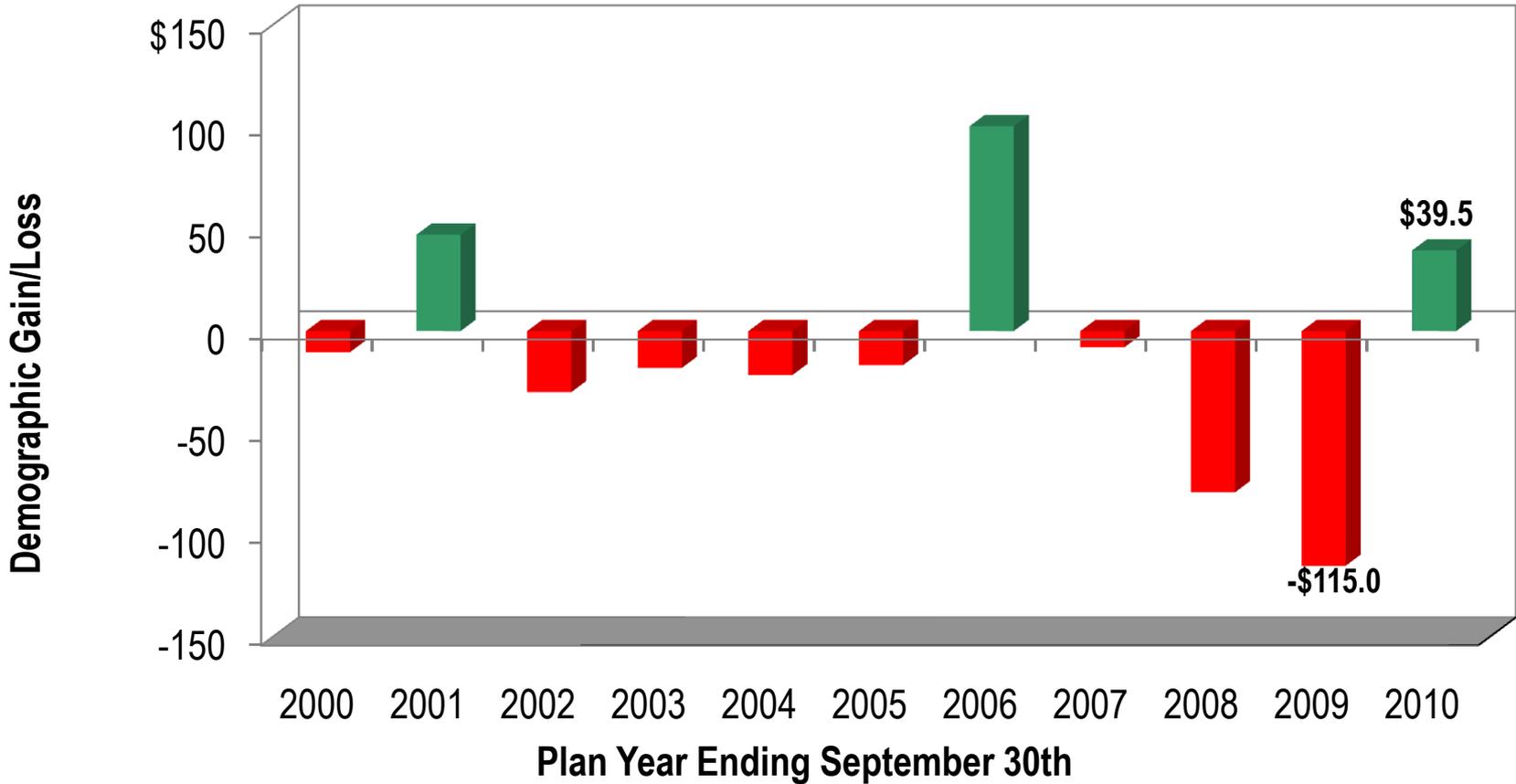
(Amounts in Millions)



* After adjusting to market value.



Demographic Gain/Loss (Amounts in Millions)





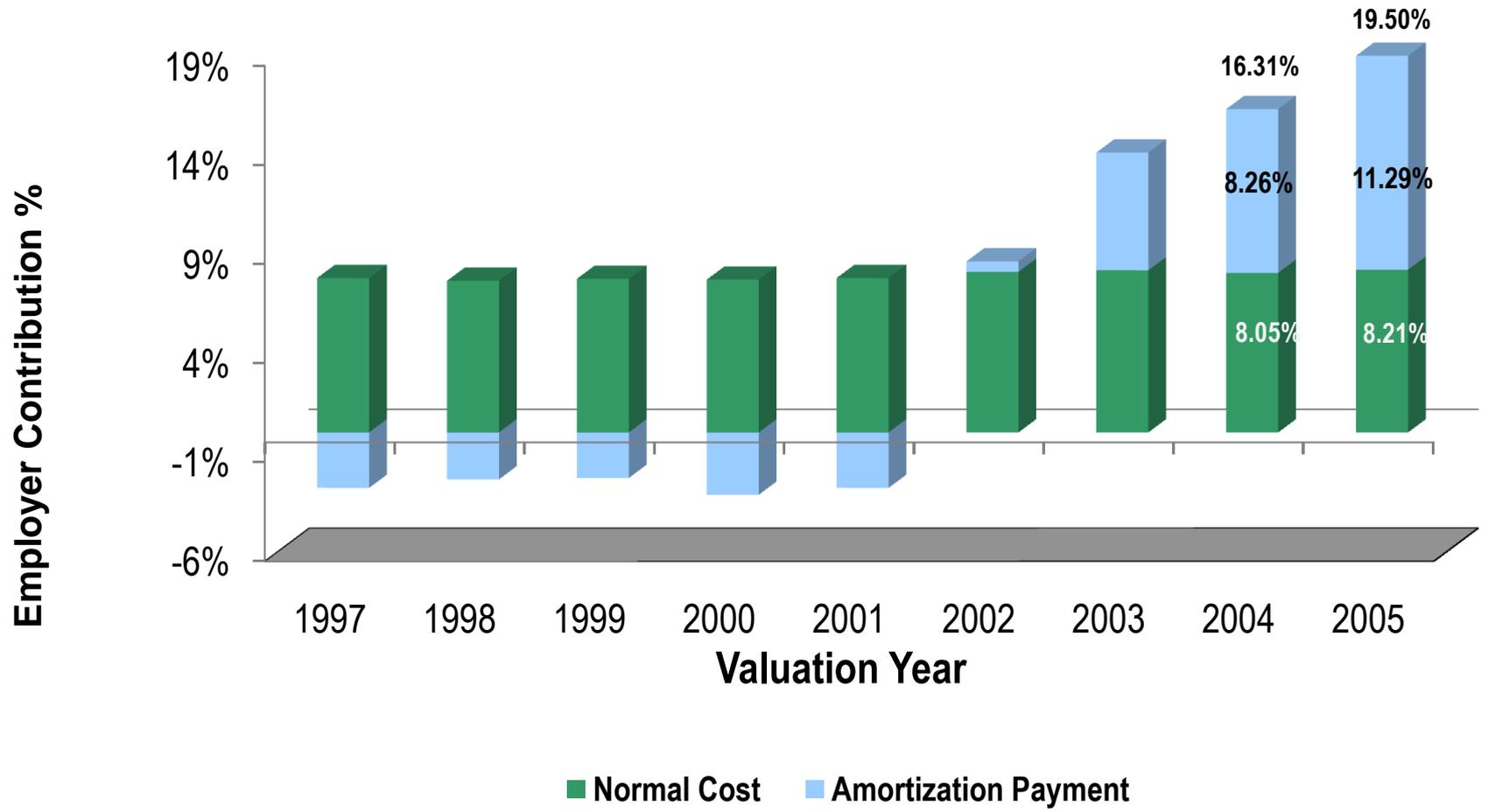
Gain/(Loss) by Type of Activity

(Amounts in Millions)

Plan Year					
Ending 9/30	2010	2009	2008	2007	2006
Rehires	\$ (33.96)	\$ (52.28)	\$ (1.85)	\$ (6.79)	\$(20.89)
Retiree Deaths	(27.00)	(80.10)	(38.48)	21.93	2.57
Investments	(670.79)	(672.97)	(357.93)	189.88	(73.43)
Pay Increases	127.51	59.58	(14.66)	(8.35)	80.54
Withdrawal	(3.51)	(6.44)	20.07	5.75	(2.24)
Retirements	(23.46)	17.89	(5.09)	(0.66)	8.72
Other	(0.07)	(53.63)	(38.96)	(19.77)	31.68
Total	(631.28)	(787.95)	(436.90)	181.99	26.95

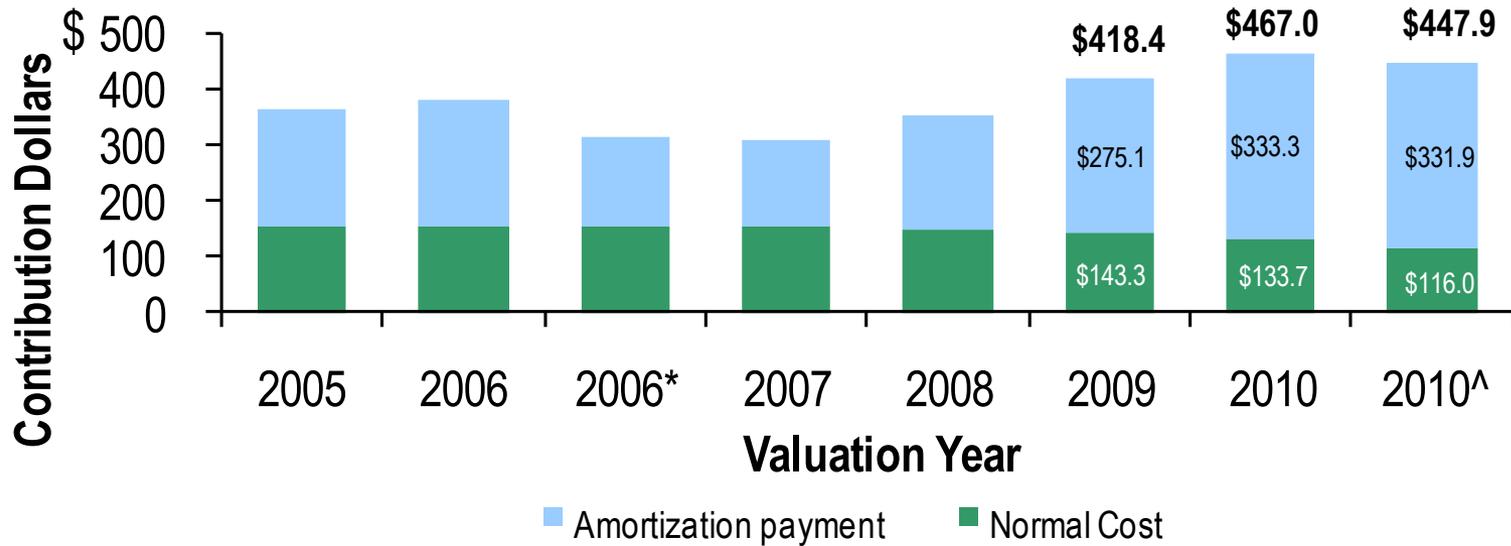


Historical Employer Contribution %'s Valuation as of September 30





Employer Contribution Dollars (in Millions) Valuation as of September 30

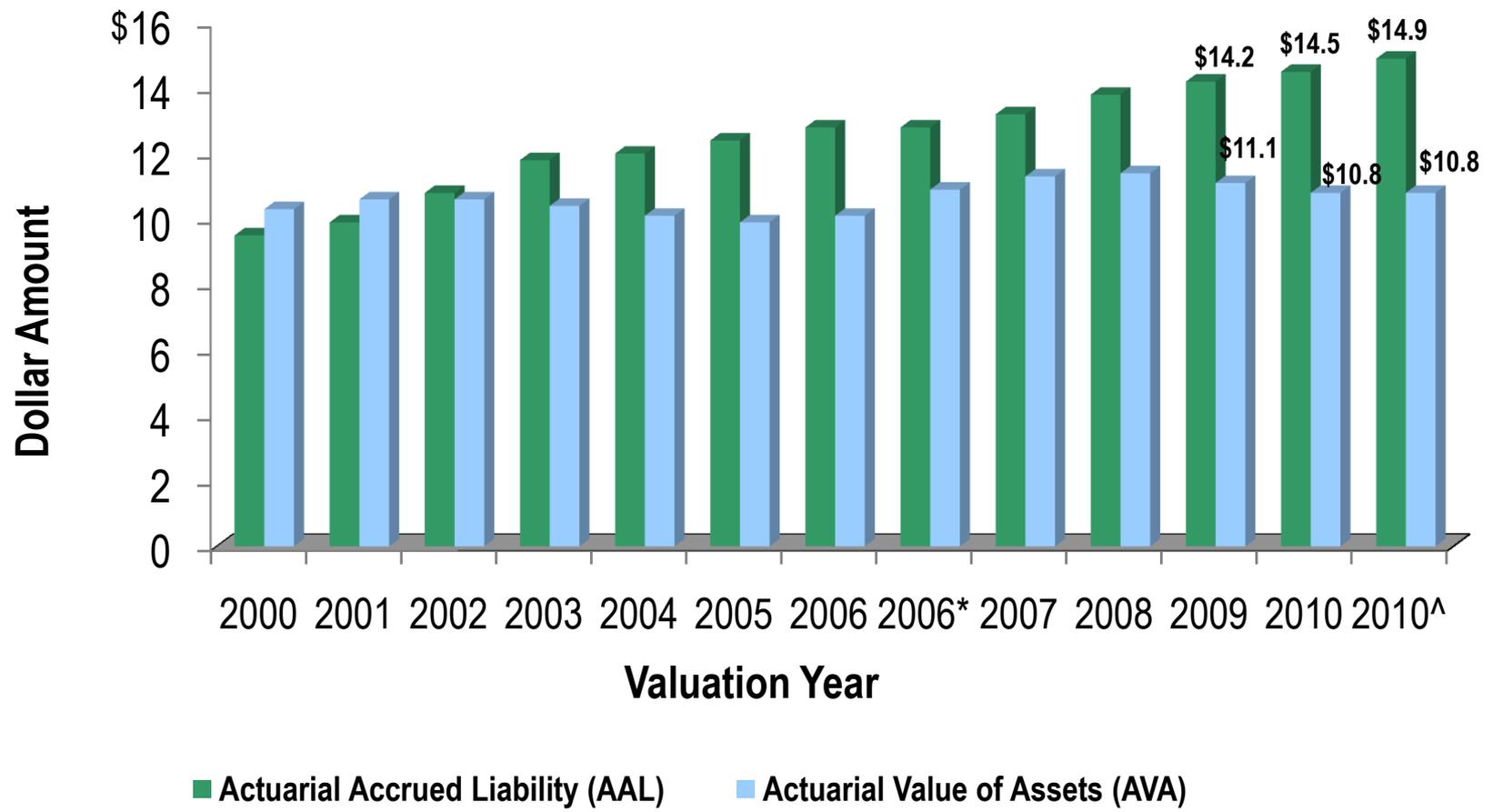


* After adjusting to market value.

^ Revised actuarial assumptions and methods.



Actuarial Accrued Liability Compared to Actuarial Value of Assets (in Billions)

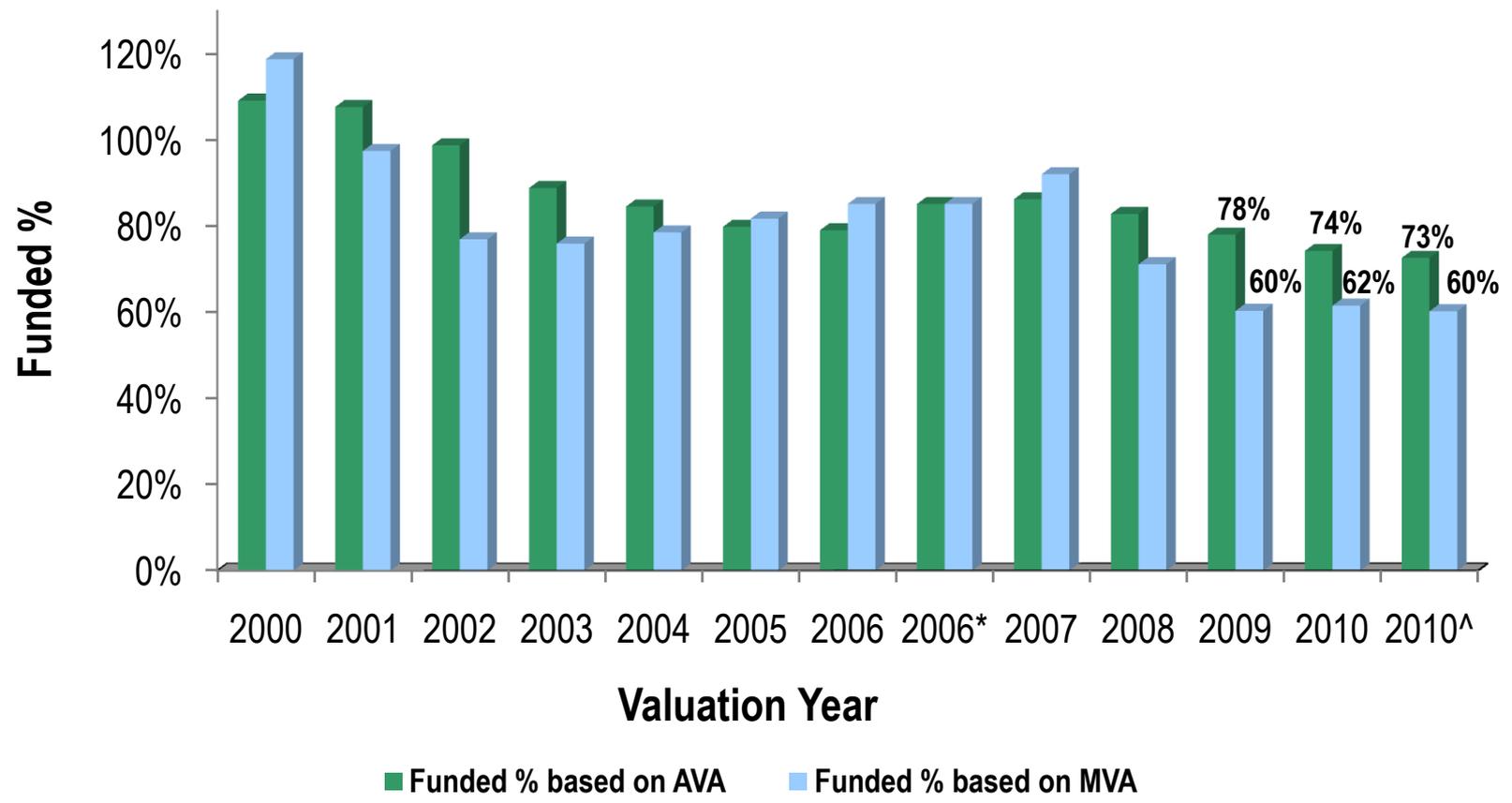


* After adjusting to market value.

^ Revised actuarial assumptions and methods.



Retirement System Funded % Based on Actuarial Value and Market Value of Assets



* After adjusting to market value.

^ Revised actuarial assumptions and methods.



Comments on the Investment Markets

- ◆ Investment markets have been very volatile.
- ◆ Valuation is based on a 5-year smoothed value of assets.
 - Reduces the volatility of the valuation results.
- ◆ 9/30/2010 smoothed value of assets was higher than market value.
 - Meeting the actuarial assumption will require average future market returns over 8%.
- ◆ 9/30/2010 valuation results based on market value:
 - Funded percent would be 60.2% (instead of 72.6%).
 - Employer contribution would be \$611.9 million (instead of \$448.0 million).



Circular 230 Notice: Pursuant to regulations issued by the IRS, to the extent this presentation concerns tax matters, it is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding tax-related penalties under the Internal Revenue Code or (ii) marketing or recommending to another party any tax-related matter addressed within. Each taxpayer should seek advice based on the individual's circumstances from an independent tax advisor.

This presentation shall not be construed to provide tax advice, legal advice or investment advice.