



Michigan Department of Treasury Bureau of Investments



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Today's Topics:

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



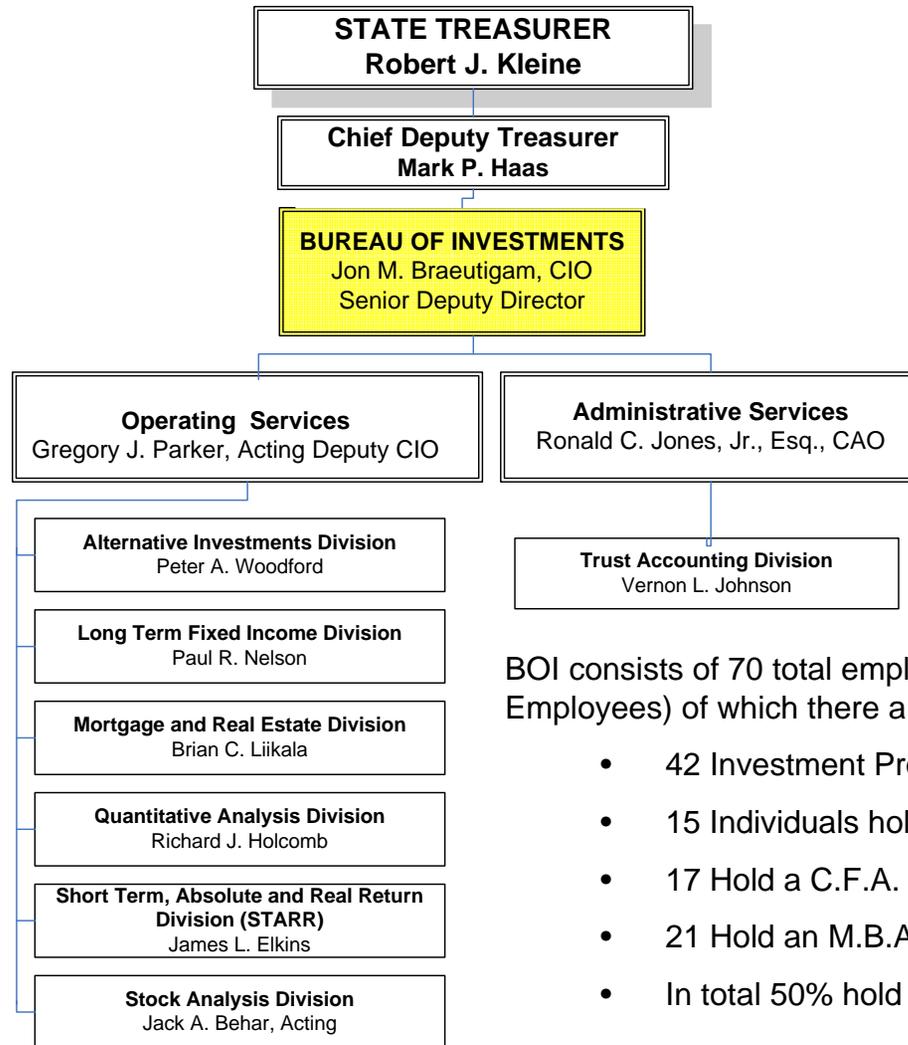
BOI ~ Mission Statement

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 May 31, 2010

SMRS	\$50,763,991,944
<i><u>OTHER MAJOR FUNDS</u></i>	
<u>Family Independence Agency</u>	
Children's Trust	\$22,464,814
<u>Lottery</u>	
State Lottery	328,578,939
<u>Military & Veterans Affairs</u>	
Veterans' Trust	49,639,731
<u>Natural Resources and Environment</u>	
Game and Fish Lifetime License Trust	10,391,716
Game and Fish Protection Trust	130,953,923
Natural Resources Trust	731,569,079
Nongame Fish and Wildlife Trust	6,678,262
State Park Endowment	157,201,885
<u>Multiple Agencies</u>	
Gifts, Bequests, and Deposits Fund	36,339,928
Children With Special Needs	20,446,840
<u>Transportation</u>	
Mackinac Bridge Authority	44,725,430
<u>Treasury</u>	
MESP (TIAA-CREF - 529 Plan)	2,214,665,887
MI 529 Advisor Plan	10,924,188
Michigan Higher Education Assist. Authority	1,527,441
MET I	219,282,948
MET II	508,380,762
SUBTOTAL FOR TRUST AND AGENCY FUNDS	\$4,493,771,774
<i><u>COMMON CASH</u></i>	
State Treasurer's Common Cash	\$573,465,599
TOTAL UNDER MANAGEMENT	\$55,831,229,317



Plan Membership Summary

As of September 30, 2009

MEMBER TYPE	MSERS
Retirees & Benef. Receiving Benefits	49,029
Current Employees Vested	26,923
Current Employees Non-Vested	532
Inactive Employees Entitled To, But Not Yet Receiving Benefits	6,613
Total MSERS Members	83,097

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	MSERS
Year 2009	.56:1
Year 2008	.59:1
Year 2007	.66:1
Year 2006	.71:1
Year 2005	.74:1

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



MRSERS Funded Ratio

Years Ending September

Year	Market Value of Assets	Actuarial Value of Assets	Actuarial Accrued Liability	Funded Ratio Based on Actuarial Value
2009	\$8,583	\$11,107	\$14,234	78.0%
2008	\$9,786	\$11,403	\$13,766	82.8%
2007	\$12,103	\$11,344	\$13,162	86.2%
2006	\$10,890	\$10,111	\$12,799	79.0%
2005	\$10,131	\$9,897	\$12,400	79.8%
2004	\$9,428	\$10,149	\$12,004	84.5%
1983	\$1,842	\$1,752	\$2,369	74.0%
<i>MRSERS Estimated Market Value Funded Ratio</i>				
5/31/2010	\$8,869	- - -	\$14,234	62.3%

(Figures in millions)

Source: Pension Plans Component Unit Financial Reports and Actuarial Valuations



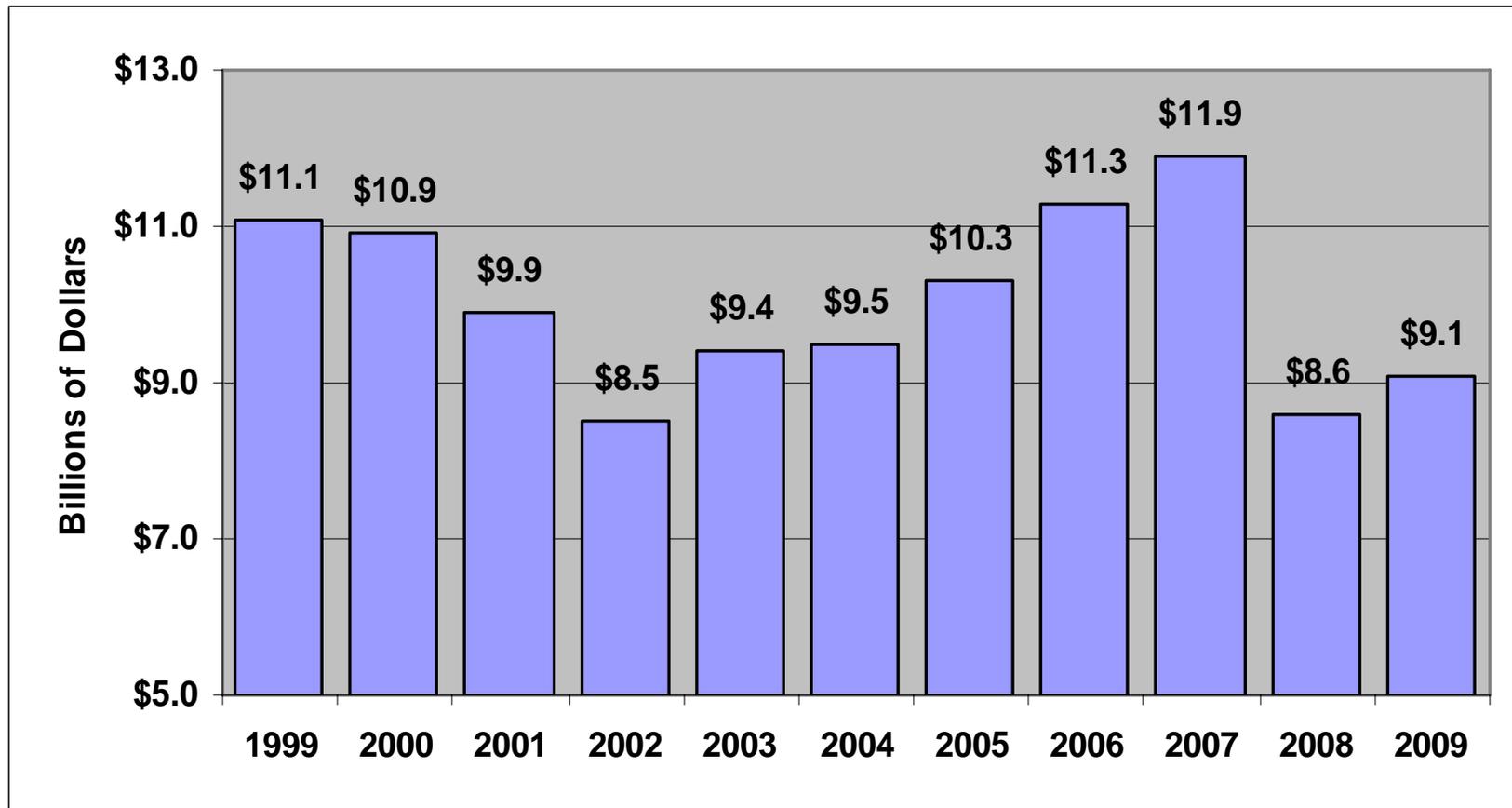
SMRS Market Value by Plan

As of May 31, 2010

<i>Market Value By Plan</i>		
<i>5/31/2010</i>		
	<i>Market Value</i>	
	<i>(In Millions)</i>	<i>%</i>
Public School Employees	\$36,034	78.1%
State Employees	8,869	19.2%
State Police	999	2.2%
Judges	232	0.5%
TOTAL	\$46,134	100.0%



MSEERS Market Value \$9.1 Billion



Years Ending December 31



MSERS

Contributions and Distributions

FY 2009

Contributions

Members	\$7.0
Employer	344.0
	<hr/>

Total Contributions \$351.0

Pension Benefit Distributions

 876.0

Net (\$525.0)

- Equal to (per quarter on average) (\$131.3)
- Or about 5.9% of total market value of fund per year



MRSERS Asset Allocation

As of May 31, 2010

Asset Allocation By Market Value

(In Millions)

<u>Investment Strategies</u>	<u>5/31/2010</u>		<u>Target Allocation</u>	
			<u>Target</u>	<u>Range</u>
Domestic Equity	\$3,230	36.4%	34%	24% - 48%
Alternative Investments	1,769	19.9%	16%	10% - 17%
Fixed Income	1,539	17.4%	17%	12% - 25%
International Equity	1,068	12.0%	17%	12% - 20%
Real Estate	786	8.9%	11%	8% - 14%
Absolute & Real Return	299	3.4%	3%	0% - 8%
Short Term	178	2.0%	2%	1% - 7%
TOTAL	<u><u>\$8,869</u></u>	<u><u>100.0%</u></u>	<u><u>100.0%</u></u>	



MRSERS Total Plan Universe

Peer Asset Allocation Comparison

(for major asset categories)

	Equities Domestic	Equities Foreign	Fixed Income	Real Estate	Private Equity	Cash Equivalent						
25th Percentile	43.94	20.44	29.01	4.88	11.03	5.89						
50th Percentile	37.21	17.61	25.52	3.29	5.74	3.06						
75th Percentile	27.08	12.52	20.63	1.17	0.24	1.59						
Total State Employees	37.41	43	12.79	73	17.44	86	8.34	9	18.65	9	1.95	72



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 billion
in Investments - Comprehensive
Annual Financial Report (CAFR)



2009 and 2010 Stock Market Update

Market	Thru 12/31/09 Price Change	12/31/09	Thru 5/31/10 Price Change	5/31/10
DJIA	18.82%	10,428	-2.79%	10,137
S&P 500	23.45%	1,115	-2.30%	1,089
NASDAQ	43.89%	2,268	-0.53%	2,257
BMI-EPAC (USD)	30.84%	225.3	-12.63%	196.8



Bond Market Environment

Market	2009 Yield Change	12/31/09	Yield Change thru 5/28/10	5/28/10
30-Year Treasury	196 bp	4.64%	-43 bp	4.21%
10-Year Treasury	162 bp	3.84%	-55 bp	3.29%
5-Year Treasury	113 bp	2.68%	-59 bp	2.09%
2-Year Treasury	37 bp	1.14%	-38 bp	0.77%
Fed Funds	0 bp	0.25%	0 bp	0.25%



S&P 500 - Last 10 Years





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

As of March 31, 2010

	<u>1 Year</u> <u>Rate</u>	<u>5 Years</u> <u>Rate</u>	<u>10 Years</u> <u>Rate</u>
TOTAL PLAN	24.1	4.2	3.0
Median - Greater than \$1 Billion	29.0	4.2	3.4



MSERS FUND
One Year Returns
Public Funds (DB) > \$1 Billion
Beat peers 4 out of 5 years

Year Ending

	<u>03/31/09</u>	<u>03/31/08</u>	<u>03/31/07</u>	<u>03/31/06</u>	<u>03/31/05</u>					
25th Percentile	35.12	-25.50	2.10	12.00	14.90					
50th Percentile	28.96	-27.02	1.20	11.70	13.98					
75th Percentile	26.03	-29.36	-0.24	10.76	13.13					
Total State Employees	24.07	89	-25.65	29	3.11	13	12.11	23	14.98	24



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	3.5%	41	11.9%	83
Median*	3.3%		18.2%	
Domestic Equities	1.1%		30.9%	
S&P 1500 Index	0.7%		27.3%	
International Equities	4.1%		39.7%	
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	5.7%		12.1%	
Barclays Govt/Credit	4.7%		4.5%	
Cash Equivalents	2.3%		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 System. It should not be interpreted in any way as financial advice.