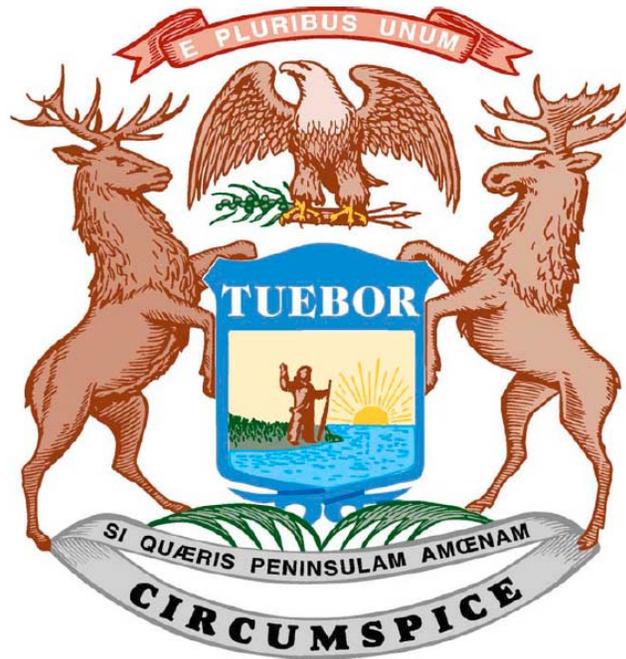




Michigan Department of Treasury Bureau of Investments



Gregory J. Parker

Director of Investments – Public Markets

Director of Asset Allocation

March 15, 2012



Today's Topics:

- **The Bureau of Investments**
- **MSERS High Level Plan Overview**
- **MSERS Asset Allocation**
- **Stock and Bond Markets 2011 Review**
- **MSERS Returns**



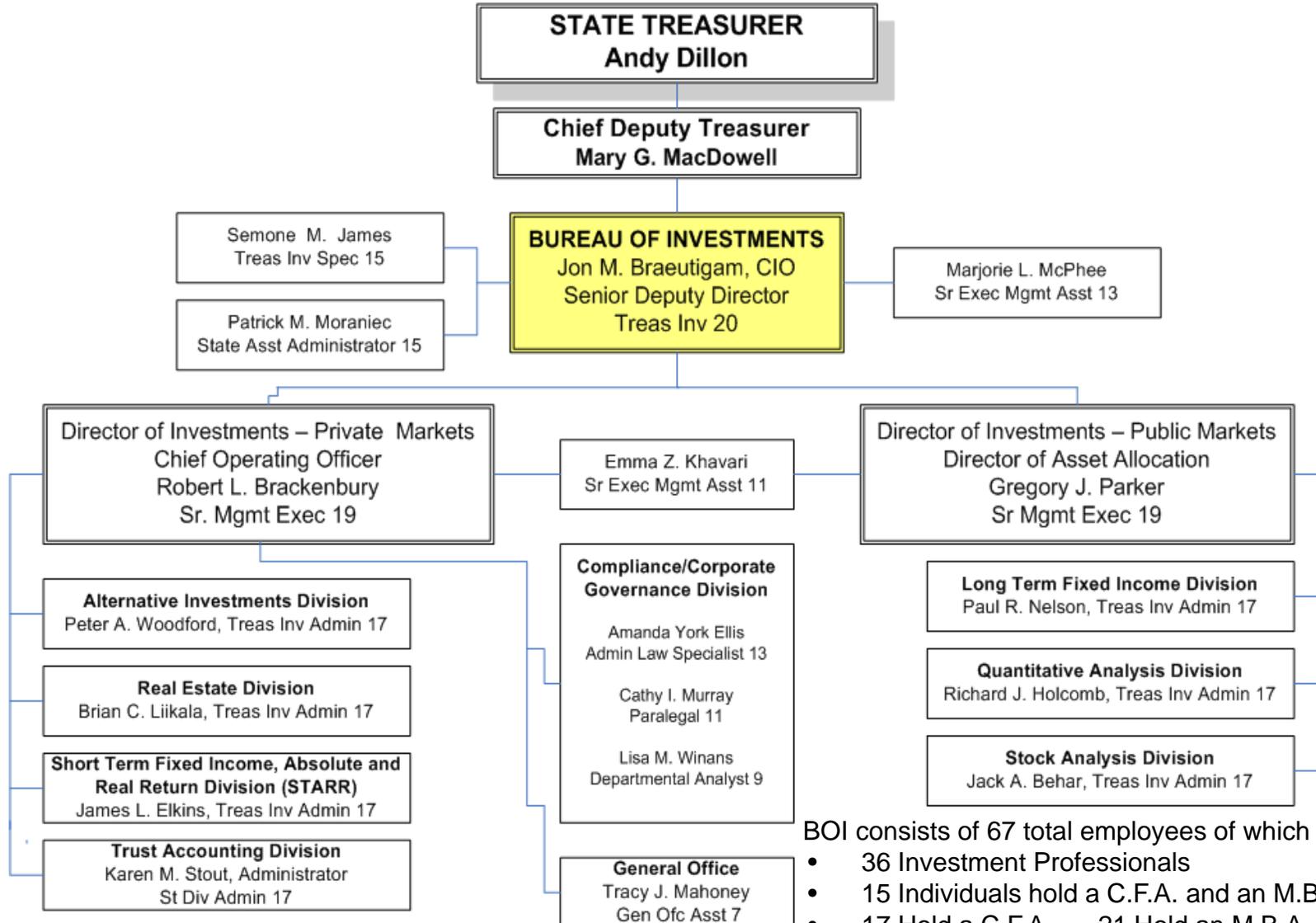
BOI ~ Mission Statement

- ***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 November 28, 2011



- BOI consists of 67 total employees of which there are:
- 36 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 over 50% hold an M.B.A. or C.F.A. or both.



BOI Investment and Cash Position

As of December 31, 2011

TOTAL RETIREMENT RELATED - DB and DC Plans	\$52,973,178,652
<u>OTHER MAJOR FUNDS</u>	
<u>Health Care Account</u>	
MPSERS Health Care Account	\$342,749,841
MSERS Health Care Account	\$0
<u>Family Independence Agency</u>	
Children's Trust	\$23,425,570
<u>Lottery</u>	
State Lottery	444,676,969
<u>Military & Veterans Affairs</u>	
Veterans' Trust	52,104,884
<u>Natural Resources and Environment</u>	
Game and Fish Lifetime License Trust	24,493,861
Game and Fish Protection Trust	201,458,990
Natural Resources Trust	703,208,325
Nongame Fish and Wildlife Trust	6,916,361
State Park Endowment	182,981,550
<u>Multiple Agencies</u>	
Gifts, Bequests, and Deposits Fund	17,418,123
Children With Special Needs	21,207,866
<u>Transportation</u>	
Mackinac Bridge Authority	58,137,964
<u>Treasury</u>	
MESP (TIAA-CREF - 529 Plan)	2,686,656,849
MI 529 Advisor Plan	96,963,008
Michigan Higher Education Assist. Authority	1,502,034
MET I	143,878,196
MET II	603,416,829
SUBTOTAL FOR TRUST AND AGENCY FUNDS	\$5,611,197,218
<u>COMMON CASH</u>	
State Treasurer's Common Cash	\$1,664,050,205
TOTAL UNDER MANAGEMENT	\$60,248,426,076



Plan Membership Summary

As of September 30, 2011

MEMBER TYPE	MSERS
Retirees & Benef. Receiving Benefits	55,648
Current Employees Vested	19,080
Current Employees Non-Vested	570
Inactive Employees Entitled To, But Not Yet Receiving Benefits	6,094
TOTAL MSERS MEMBERS	81,392

Source: Pension Plans Component Unit Financial Reports Fiscal Year Ended September 30, 2011



Plan Membership Ratio

As of September 30, 2011

Ratio of Active/Retiree	MSERS
Year 2011	.35:1
Year 2010	.50:1
Year 2009	.56:1
Year 2008	.59:1
Year 2007	.66:1



MRSERS Funded Ratio

Years Ending September

Year	Market Value of Assets	Actuarial Value of Assets	Actuarial Accrued Liability	Funded Ratio Based on Actuarial Value
2010	\$8,940	\$10,782	\$14,860	72.6%
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>				
12/31/2011	\$9,192	- - -	\$14,860	61.9%

(\$ in Millions)

Source: Pension Plans Component Unit Financial Reports and Actuarial Valuations



SMRS Market Value by Plan

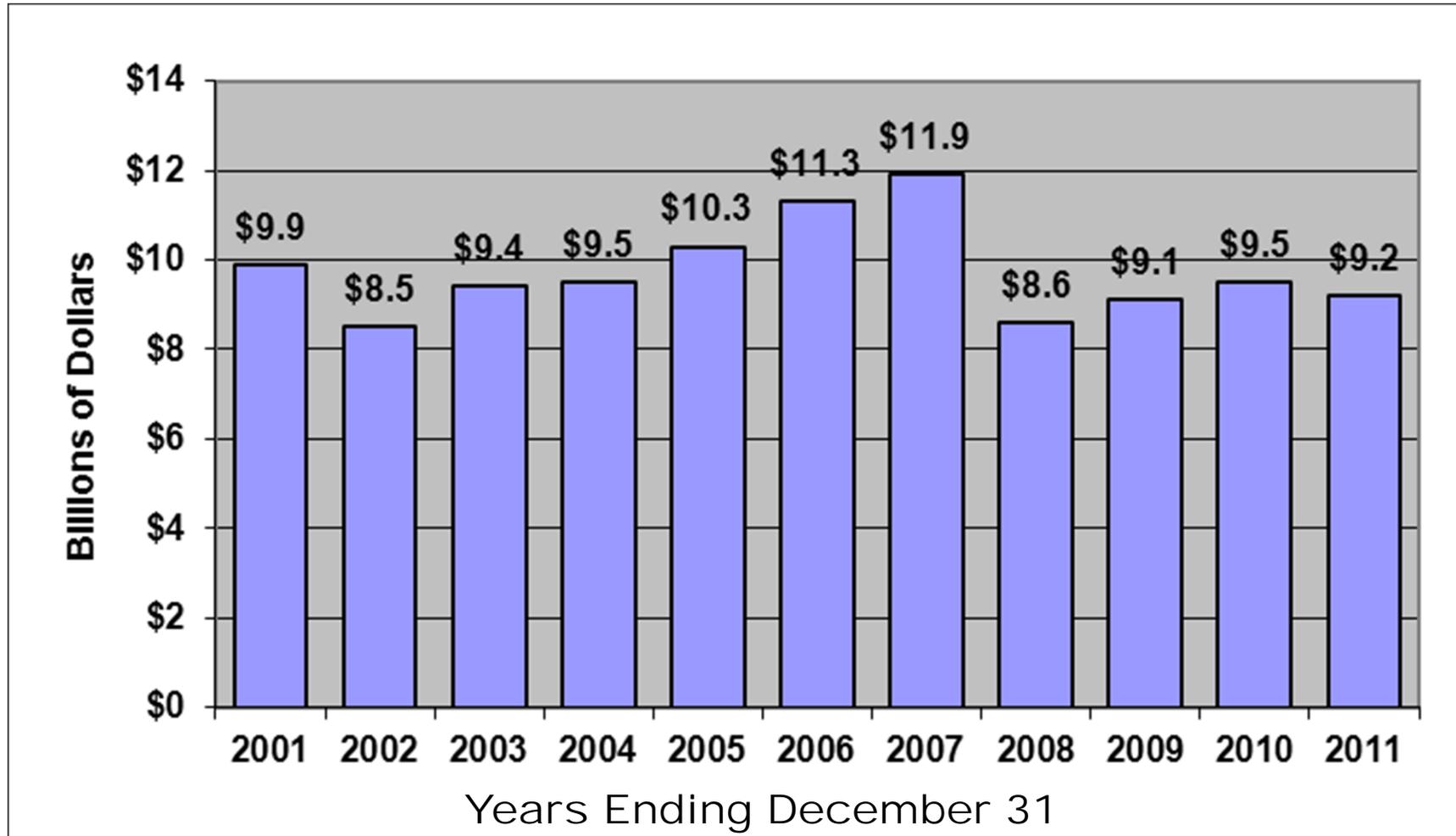
As of December 31, 2011

	Market Value	
	<i>(In Millions)</i>	%
	<u> </u>	<u> </u>
Public School Employees	\$37,665	78.3%
State Employees	9,192	19.1%
State Police	1,030	2.1%
Judges	236	0.5%
	<u> </u>	<u> </u>
TOTAL	<u><u>\$48,123</u></u>	<u><u>100.0%</u></u>



MRSERS Market Value

\$9.2 Billion





MSERS

Contributions and Distributions

FY 2011

Contributions

Members	\$26.0
Employer	424.0
	<hr/>

Total Contributions \$450.0

Pension Benefit Distributions

1,090.0

Net **(\$640.0)**

- Equal to (per quarter on average) (\$160.0)
- Or about 7.0% of total market value of fund



MRSERS Asset Allocation

As of December 31, 2011

Asset Allocation By Market Value

(In Millions)

Investment Strategies	12/31/2011		Target Allocation	
			Target	Range
Domestic Equity	\$2,737	29.8%	33%	20% - 50%
Alternative Investments	1,957	21.3%	14%	10% - 20%
Fixed Income	1,229	13.4%	16%	10% - 25%
International Equity	1,187	12.9%	16%	10% - 20%
Real Estate	982	10.7%	9%	5% - 15%
Short Term	508	5.5%	2%	1% - 7%
Real Return & Opport.	319	3.4%	4%	0% - 8%
Absolute Return	273	3.0%	6%	0% - 12%
TOTAL	\$9,192	100.0%	100%	



MRSERS Total Plan Universe Peer Asset Allocation Comparison

***Public Funds (DB) > \$1 Billion
(for major asset categories)***

	<u>Equities Domestic</u>	<u>Equities Foreign</u>	<u>Fixed Income</u>	<u>Real Estate</u>	<u>Private Equity</u>	<u>Cash Equivalent</u>
5th Percentile	61.90	27.94	42.37	15.91	22.39	31.24
25th Percentile	42.60	18.85	30.19	6.02	13.34	6.76
50th Percentile	35.79	15.50	25.49	3.21	5.32	3.21
75th Percentile	25.68	10.05	19.86	0.04	0.23	1.74
95th Percentile	5.04	0.00	0.00	0.00	0.00	0.01
Total State Employees	29.46	12.81	13.37	10.45	21.29	5.53



SMRS by Asset Class

As of December 31, 2011

Domestic Equity

\$14.5 Billion in managed funds

32 Strategies

Represents over 1,400 Stocks

Real Estate & Infrastructure

\$5.0 Billion in managed funds

37 Advisors

58 Real Estate Accounts

Over 2,000 properties

Alternative Investments

\$10.5 Billion in managed funds

82 Sponsors

262 Partnerships

3,475 Companies

Absolute and Real Return

(and Opportunistic)

\$3.2 Billion in managed funds

4 Strategies

47 Managers



SMRS by Asset Class

As of December 31, 2011

Fixed Income

\$6.5 Billion in managed funds

8 Strategies

Represents Over 2,000 Positions

Short Term Investments

\$2.2 Billion in Managed Funds

International Equity

\$6.1 Billion in managed funds

12 Strategies

Representing 6,300 Stocks

Trust Accounting

Approximately 100,000
transactions annually



Bond Market Environment

Market	2011 Yield Change	12/31/11	Q4 2011 Yield Change	9/30/11
30-Year Treasury	-144 bp	2.90%	-2 bp	2.92%
10-Year Treasury	-142 bp	1.88%	-4 bp	1.92%
5-Year Treasury	-118 bp	0.83%	-12 bp	0.95%
2-Year Treasury	-36 bp	0.24%	-1bp	0.25%
Fed Funds	0 bp	0.25%	0 bp	0.25%



Stock Market Update

Market	Thru 12/31/11		Thru 9/30/11	
	Price Change	12/31/11	Price Change	9/30/11
DJIA	5.53%	12,218	-5.74%	10,913
S&P 500	0.00%	1,258	-10.04%	1,131
NASDAQ	-1.80%	2,605	-8.95%	2,415
BMI-EPAC (USD)	-14.91%	206.2	-17.10%	200.9



S&P 500 - Last 10 Years





MSERS FUND
Time-Weighted Rate of Return
Public Funds (DB) > \$10 Billion
As of December 31, 2011

	<u>1 Year</u> Rate	<u>5 Years</u> Rate	<u>10 Years</u> Rate
TOTAL PLAN	3.2	1.7	4.9
Median - Greater than \$10 Billion	1.9	1.9	5.3



MSERS FUND

Time-Weighted Rate of Return

Funds (DB) > \$10 Billion

As of December 31, 2011

	<u>1 Year</u>	<u>5 Years</u>	<u>10 Years</u>
5th Percentile	8.15	6.15	6.99
25th Percentile	2.47	2.33	6.45
50th Percentile	1.86	1.92	5.27
75th Percentile	0.69	1.08	4.86
95th Percentile	-0.15	0.32	4.43
Total State Employees	3.18	1.74	4.90



Time-Weighted Rates of Return

Individual asset classes doing very well on a relative basis

Asset Class w/Benchmark	CY 2011	
	Five Years Rate	One Year Rate
Total Plan	1.7%	3.2%
Median*	1.9%	1.9%
Domestic Equities	-0.1%	-0.4%
S&P 1500 Index	0.1%	1.8%
International Equities	-4.2%	-12.4%
S&P Developed BMI-EPAC net 75/25	-4.8%	-12.5%
Private Equity	9.1%	15.9%
Alternative Blended Benchmark	3.0%	4.3%

*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 2011	
	Five Years Rate	One Year Rate
Real Estate	-1.1%	12.9%
NCREIF Open Fund Index Net	-1.1%	15.0%
Bonds	7.3%	7.0%
Barclays Govt/Credit	6.6%	8.7%
Cash Equivalents	0.8%	0.2%
30-Day T-Bill	1.2%	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.



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.