

INVESTMENT ADVISORY COMMITTEE MEETING

September 1, 2011

STATE OF MICHIGAN RETIREMENT SYSTEMS
QUARTERLY INVESTMENT REVIEW



Andy Dillon, State Treasurer

Prepared by Bureau of Investments
Michigan Department of Treasury

INVESTMENT ADVISORY COMMITTEE MEETING

September 1, 2011

Agenda



- 9:30 a.m. Call to Order and Opening Remarks
- 9:45 a.m. Approval of Minutes of June 1, 2011, Meeting
- 9:50 a.m. Performance for Periods Ending June 30, 2011
- 10:00 a.m. Current Asset Allocation Review
- 10:10 a.m. Capital Markets Overview
- Economic and Market Review and Outlook – *File*
- 10:20 a.m. Review of Investment Reports
- Alternative Investments
 - Absolute and Real Return/Opportunistic
 - Active Domestic Equity
 - Fixed Income
 - Real Estate
 - International Equity
 - Indexed Domestic Equity
- 11:30 a.m. Khosla Ventures – Vinod Khosla
- 12:00 p.m. Basket Clause – *File*
- 12:00 p.m. Adjournment

2011 Meeting Schedule

Thursday, September 1, 2011
Thursday, December 1, 2011

TENTATIVE ~ 2012 Meeting Schedule

Thursday, March 1, 2012
Thursday, June 7, 2012
Thursday, September 6, 2012
Thursday, December 6, 2012

All meetings start at 9:30 a.m.

INVESTMENT ADVISORY COMMITTEE

The Investment Advisory Committee held its quarterly meeting on Wednesday, June 1, 2011, at the Bureau of Investments, Great Lakes Conference Room, 2501 Coolidge Road, Suite 400, East Lansing, Michigan.

Members Present:

David G. Sowerby, Chairman
Roger D. Robinson
Steven H. Hilfinger, LARA
Phillip J. Stoddard, DTMB

In attendance from the Department of Treasury: Andy Dillon, Jon M. Braeutigam, Robert L. Brackenbury, Gregory J. Parker, Karen Stout, Brian Liikala, Richard Holcomb, Peter Woodford, Paul Nelson, Jack Behar, Jim Elkins, Kevin Fedewa, Giles Feldpausch, Amanda Ellis, Marge McPhee, and Emma Khavari.

Others in attendance: James Voytko, Allan R. Pohl, Gus Sauter, James Caine, Anthony DeCesaris, Chris Michalakis, Molly Jason, Jason Diotte, Renaye Manley, June Morse, Frank Cody, Joe Curtin, and Cara Spagnuolo.

Call to Order and Opening Remarks

Chairman David G. Sowerby called the June 1, 2011, meeting to order at 9:30 a.m. noting that the performance for the quarter improved, with more work to do on a relative basis to the peer group. Chairman Sowerby noted he had reviewed a large public fund universe plan larger than a billion, with a sample size of 64 and the SMRS return of 4.9% for the first quarter put the portfolio in the top decile. He noted this should be happening since the exposure to private equity lags in up markets when public markets rally first. He then turned the meeting over to the State Treasurer, Andy Dillon.

Treasurer Dillon introduced and welcomed Mr. Steven H. Hilfinger, Director of the Department of Licensing and Regulatory Affairs. Chairman Sowerby also welcomed Director Hilfinger.

Approval of Minutes of March 3, 2011

Chairman Sowerby asked for a motion to approve the March 3, 2011, minutes. A motion was made by Mr. Phillip J. Stoddard and seconded by Mr. Roger D. Robinson to accept the minutes as read. The motion passed unanimously.

Approval of Code of Ethics and Standards of Conduct

Chairman Sowerby asked for approval of the Code of Ethics and Standards of Conduct with respect to the Investment Advisory Committee. He explained that this is a significant initiative and very consistent with the Governor's speech earlier this year for strong ethics within state government and the mission, as an advisory board, with the focus on the participants of the plan.

There was a short discussion about the Code of Ethics and Standards of Conduct. Mr. Robert L. Brackenbury explained that the focus of the Code of Ethics and Standards of Conduct is in line with what is actually done and what individuals are responsible for during the time they serve on the board. Mr. Brackenbury further explained that this is in line with other public pension system models. Other states that were reviewed were Virginia, Pennsylvania, Illinois, Indiana, and Ohio, which have a specific state statute that is directly applicable to their pension system or have their own board adopted ethics policy. Bureau of Investment employees are already covered by the State Ethics Act and a Bureau of Investments Ethics Policy.

Chairman Sowerby again asked for approval of the Code of Ethics and Standards of Conduct. A motion was made by Mr. Phillip J. Stoddard and seconded by Mr. Roger D. Robinson to accept the Code of Ethics and Standards of Conduct. The motion passed unanimously.

Performance

Mr. Jon M. Braeutigam reported on the performance of the SMRS' portfolio for the time period ending March 31, 2011. He summarized the returns for the fund and the different asset classes noting that the quarterly return for fund the period ending March 31, 2011, was 4.9%. He noted that private equity had a great quarter and that they lag the stock market. Real estate also had a great quarter and year and they lag the public markets as well. He noted that the one-year return was 14.2%, this is a great return on the fund given the diversification of the portfolio which includes bonds. The returns on an absolute and a relative basis; for the one, five, and seven year are either at or above the peers.

Mr. Braeutigam stated that domestic equities, which is 35% of the total SMRS' portfolio, underperformed in the one-year time period, but was above the index in the three and five years. The small-cap managers have done very well versus their benchmark while the large and mid cap managers had a more difficult year. He noted there has been improvement in international equities. The dollar hedge is down to about 20% and is hedged to the Euro, the pound, and the Yen, but mostly to the Euro. He discussed the Euro, from an economic model, that it is a bit over-valued right now on a purchasing power parity basis. Over the past three years, international has been average or better and the underperformance has narrowed in other time periods. International equities had a great quarter. He looked at alternatives and real estate noting for every single time period they are either at or above their individual benchmarks or peers. Diversification has really helped the portfolio on a long, medium, and short-term basis.

Mr. Braeutigam discussed the bond portfolio. Over the past year or two the spreads have really come down. Only 14.5% of the portfolio is in bonds, most of which are safe and high-quality bonds. He pointed out that the returns are all good in the seven, five, and three year timeframes. He discussed the commodities, a small component of the fund, which are highly volatile; they can really shoot up, then go sideways, and then go down. He noted that opportunistic investment, which is a host of different investments, returned 12.7%. This is a relatively small percentage of the portfolio.

Mr. Braeutigam concluded his presentation discussing the standard deviation of the portfolio. He noted that standard deviation is a way to measure the risk taken in the portfolio and returns come at a cost, called risk. He pointed out that the standard deviation for the SMRS' portfolio is lower compared to the returns of peers which is due in part to the larger allocation to real estate, alternative investments, and absolute and return. Risk cannot be eliminated from the portfolio, but it can be managed to a degree.

Asset Allocation

Mr. Braeutigam reported on the SMRS' asset allocation. The SMRS for the time period ending March 31, 2011, had a market value of \$51.365 billion and at the beginning of the year the fund was at \$49.723 billion. There was \$713 million in net benefit payments made during the first quarter. This payment is in excess of employer and employee contributions. He discussed how the cash is deployed and cash has to be raised every quarter to meet the obligations to pay benefits. This cash was raised through the sale of domestic equities and fixed income. He discussed the increases in investments in international equities and absolute and real return to have these areas reach their respective asset allocation targets.

Mr. Braeutigam talked about the approved asset allocations in the Investment Policy Statement. This statement is the governing document that the State Treasurer signs once every two years and it shows the different asset classes and the asset allocation for each class. He discussed where each asset class is at the end of the first quarter and the target to be reached over the next year. He noted that in real estate pricing has shot up of late. He talked about the alternative investments portfolio which has an allocation of 20.7% and to lower this allocation to 14% will take some time as the portfolio for alternative investments is a mature portfolio.

Mr. Braeutigam briefly discussed the Asset Liability Study done by general consultant, R.V. Kuhns, which showed that the liquidity of the SMRS' portfolio is adequate. He discussed the absolute and real return and building the portfolio to the asset allocation target. He concluded noting that investing cannot be done in a vacuum, the liabilities and goals must be clearly understood and taken into account.

Capital Markets Overview

Mr. Greg Parker began his discussion of the capital markets noting that the annualized rate of return for the past two years was 19%. In looking at the outlook, it is not likely

these rates of return will happen again in the next two years. However, the rates of return will be decent. He explained the two key elements that provide this conclusion: one is the economic backdrop and the second is the capital markets backdrop. He discussed a few of the factors that influence these two backdrops. He noted that two years ago things went from crisis to stability, then the dawning of stability to growth, and today to post-recovery into a more normal state. Economic indicators suggest the rate of growth is going to be tepid, but it is still growth.

Mr. Parker indicated that the capital markets backdrop is shown on the Efficient Frontier charts. The first chart shows the historic returns, the volatility of those returns, and a good guess for long-term rates-of-returns going forward. The more risky the asset classes the higher the expected rates-of-returns; to get a little more return there must be a lot more risk. The bottom chart takes the strategic asset allocation assumptions and tweaks them for current capital markets. He noted that the SMRS' portfolio is 70% to 80% committed to equities; the Fed's zero interest rate policy is very accommodative, which makes the risk/return that investors have to make more attractive and they take on more risk; the distance between the cash (the least risky) and U.S. fixed income is where the Fed targeted their QE-2 policy; and because of strong returns there is a momentum into the capital markets which helps good returns to keep going. He concluded his presentation noting that decent rates-of-returns are expected for the next one to two years.

Economic and Market Review and Outlook

Chairman Sowerby stated in the spirit of time the Economic and Market Review and Outlook will be received and filed.

Chairman Sowerby introduced Mr. James Voytko from R.V. Kuhns.

Asset Allocation Liability Study – R.V. Kuhns – Mr. James Voytko

Mr. Voytko began his presentation noting he would be moving quickly through the Asset Allocation Liability Study. He would be going from 30,000 feet, to 10,000 feet, and then do a fly-over at 1,000 feet, but never touch the ground. The Study is approached with some trepidation. These studies are the hottest product going in public fund-land as well as in corporate plans. People try to triangulate their investment strategies against their actual liabilities. He explained the reason for the trepidation as being there were two significant negatives that were going to be present in the Study – the first was a major change downward from the last study in assets; and the second was a rapid maturation of the plan demographically because of the early retirement program that the State put in place. This moves up the ratio of inactive, i.e., benefit-drawing members as a percent versus those that are contributing. These factors have tended to create, in past asset liability studies, some serious problems for defined benefit plans. The changes in the contribution policy, in particular the retention of the actuarially required contribution policy, and the restructuring of the Defined Benefit (DB) plan resulted in a reduced normal cost because of reduced benefits as some of the weight of retirement savings moved to the Defined Contribution (DC) side; these changes were a major plus.

Mr. Voytko explained that everyone forgets how slowly DB plans move, which is like a glacier. Patience and long-term thinking are mandatory, not optional. Any changes or even closing a DB plan entirely has to be looked at through the paradigm of multiple years and in some cases multiple decades. He discussed the financial health of the Plan over the next 20 years given the recent changes. The Study showed the possibility for improvement over the next 20 years, this does not mean that it will improve every single two or three year period. But directionally the state is set for a fairly material improvement in the DB plan. He explained how the Plan started out in a deep financial hole – 59% market value funded and a large unfunded actuarial liability; the cost of the recent early retirement program, and the dominance of the higher cost old Plan members versus those in the new Plan for several more decades all create major financial challenges.

Mr. Voytko noted that the changes to the Plan coupled with its ARC (actuarially required contribution) policy appear to place the Plan on a notably more conservative path for pension funding. He discussed three of the changes: the rapid five-year contribution program to pay for the early retirement program; retention of the ARC-based contribution policy; and a lower assumed rate, which maintains pension contributions at a higher rate. All these set a more financially conservative course for pension funding and long-term pension health. He noted that they have been several studies versus other public plans, this is one of the most clear movements toward more conservative funding of a public DB plan that they have seen. He stressed the adherence to the ARC-based contribution policy, as painful as that can be on the budgeting side, there is a gap opening up in public fund-land between those that are paying the actuarial required contribution and those that are not. This gap you can drive a truck through it now and if it persists for another few years, it will be wide enough to drive a locomotive through. He explained when an asset liability study was done, it was the investment strategy that made the difference from one scenario to another; however, now it is the contribution policy and less so the investment policy.

Mr. Voytko discussed the more conservative financial posture and continued reliance on the ARC-based contribution allows the investment side to continue to take the risk necessary to earn the returns that are needed to take the Plan to a fully-funded status. In this case the contribution policy is supporting and allowing the investment policy to do its work. He explained what happens when more risk is pursued. If risk is increased too much what happens is too much reliance on more complex and volatile strategies. These two have negative affects. One negative affect is that the complexity of the portfolio becomes challenging to staff and even the outside managers; and the second is the chance for a one-year draw-down would be shocking to the system. The fact that more risk can be taken does not necessarily mean that should be done. He stated that from academic-land as well as in corporate-land, there is a move toward ultra-conservative pension funding. This is typically coupled with massive increases in contribution. He stated they love to preach risk control, but they see no payoff to pursuing an ultra-conservative strategy. This would lock the Plan in permanently to the under-funding that currently exists and not allow the new conservative posture now taken

to free the investment side and continue to try to earn returns. He stated ultra-conservative is not recommended.

He stated it is time to descend to about 1,000 feet, to discuss the two kinds of analysis that was done in the Study – deterministic analysis (Goldilocks Forecasting) and stochastic analysis (Real World Forecasting). He began with the deterministic analysis, which he called Goldilocks Forecasting. This is linear, every assumption that is made in the plan occurs every year without fail, exactly as assumed for 20 years in a row. This seems very unrealistic. He explained the reasoning for thinking this way: these are assumptions; it does allow for looking directionally; and it allows for the change of one of the assumptions to look at its affect on everything else, assuming that they all stay the same, which is much more difficult to do when introducing uncertainty into the analysis.

Mr. Voytko began discussing the six points that were drawn from the deterministic analysis:

First: the Plan begins in a deep financial hole, a \$25 billion short fall – 59% funded. He added that this Study is as of September 30, 2010, this is the date of the actuarial data that was available for the Study. The Plan is in a better position at the present time.

Second: the plan demographics were significantly accelerated by the early retirement program. The actuarial data shows that in six years there will be more in-active members than active contributing members.

Third: the pay down has been accelerated for the early retirement program; with adherence to the ARC policy, this ameliorates the pressure substantially. In fact, the payout ratios are extremely low as forecast in the Study with the possibility that this may improve over the next 20 years. When the payout ratios are high, in the 20% to 25% range, it makes it difficult to invest in private equity, real estate, and other illiquid assets.

Fourth: under the deterministic analysis, the direction is clearly positive. Over the 20-year study period, if all the assumptions are met each and every year, the funding ratio is expected to improve about 20 percentage points to 81%. A change from 59% to 81% is a very material change and it is a reflection of the more conservative path on which the Plan has now been put.

Fifth: many constituents, who do not know how tough it is to both administer a DB Plan as well as to invest for one, think that if there were higher returns, they would be able to invest their way out of it. When the arithmetic is done, it takes extremely high returns to actually make that happen. In the deterministic analysis to achieve full funding in 10 years, the returns earned would have to be 12.7% on the portfolio every single year without fail. This would mean no down year, no year below 12.7%. This is not realistic.

Sixth: under the deterministic analysis, the question must be asked: how sensitive is this to actually earning the assumed rate, which is 8%, adjusted downward 1/10 of a point, by 1/10 of a point as new members are worked into the system. A persistent shortfall in the

investment returns reduces the expected rate of improvement in the health of the Plan; however, a modest shortfall, 50 basis points annually, should not be catastrophic. The funding ratio would still improve, just not as much and the payout ratio would degrade a little. So, a more conservative contribution policy has given some degrees of freedom in terms of error if the capital markets are not kind over the next 20 years.

Mr. Voytko began discussing the four points that were drawn from the stochastic analysis:

First: the funding ratios for the Plan show improvement under all diversified investment strategies that take sufficient risk to pursue the level of returns needed to meet actuarial demands. When tremendous amounts of investment uncertainty are introduced, the funding ratios still show expected improvement under a variety of diversified investment strategies. They take enough risk to have the prospect of earning the level of returns needed to meet actuarial demands. There is a caveat, it must be remembered that uncertainty cuts both ways, so there is also a probability that when uncertainty is introduced into investments there could be little or no improvement maybe even being worse off than before.

Second: there is no projected improvement in the financial health of the Plan in pursuing ultra-conservative investment strategies. Being ultra-conservative means allocations like 80% bonds, with very low returns, very low volatility and the probability of being no better off than today is about 58%.

Third: investment strategies with risk profiles more aggressive than the current portfolio appear to offer the prospect of additional financial improvement with roughly the equivalent downside.

Fourth: the potential attractiveness of taking more risk disappears when the additional risk above the current target portfolio type of asset allocations is considered. The allure of increased risk disappears when the full consequences are analyzed: the requirement that they are pursued persistently with no variation over the next 20 years; the short-run, one to five years, consequences versus more risk-controlled diversified strategies are worse; that the significantly higher risk strategies will likely create notably larger one-year maximum declines in fund value during the 20-year path; and that significantly higher risk strategies will almost certainly require more reliance on more exotic and/or complex investments in emerging markets, hedge funds, and private equity.

Mr. Voytko summarized his presentation noting the implications for asset allocation and the investment program strategy. In the many plans that they have researched, the more conservative posture of the Plan is relieving the pressure on the investment assets to take higher levels of risk, and over time curtail significantly the use of illiquid and less liquid asset classes. The current and target asset allocations appear reasonable when placed alongside the liability and liquidity demands of the Plan's current benefit structure. The target asset allocation has the advantage of greater total fund risk mitigation and thus is more efficient in the pursuit of risk-adjusted returns than the current allocation.

Consideration of low or non-equity beta alternatives as potential additions to the target asset allocation would be a well-spent effort on further improving risk/return efficiency. Future expectations for asset class returns and risk change continually. Periodic reassessment of the Plan's asset allocation and the forward looking capital markets assumptions that it rests upon is the best practice.

Chairman Sowerby introduced Mr. Gus Sauter, Chief Investment Officer and Managing Director of Vanguard Institutional Asset Management. He asked Mr. Sauter to focus less on the economic environment and more on the good news in the capital markets – where opportunity by asset class is noted and where there may be less consensus-focus than the rest of the world.

Vanguard Institutional Asset Management – Mr. George U. “Gus” Sauter

Mr. Sauter began his presentation with the 30-seconds on the economic outlook, which it is believed the recovery is self-sustaining. However, there are a couple of trip wires; but two drivers behind the economy are the consumer and corporate investments. Consumer – employment continues to increase providing more money for consumers to spend and at the same time consumer's debt burdens have been reduced also providing an incentive to spend again. Corporate – corporate investment has been very light for the last three to four years. Corporations have a need to re-invest because of obsolescence; they have the ability because corporate income has been increasing dramatically and there is a very strong correlation between corporate investment and earnings growth. He noted in looking at the self-sustaining recovery, there are some dark clouds – European debt crisis, the Federal deficit which is more intermediate term in nature, the housing situation continues to be an overhang, and finally the last one would be oil prices. If oil goes to \$140 per barrel, this could create a double-dip recession.

Mr. Sauter discussed equities which do not seem to be over-extended at this point in time. Equity valuations are reasonable, not cheap at this level, but not expensive either. He noted there are a lot of wild cards out there right now with Greece and Ireland and Portugal, they could really trip things up in the short run. But over a two to three year time horizon, it is believed equities will provide reasonable rates of return in line with historic rates of return – 9% or 10%. He referred to the chart in the presentation where the U.S. bond returns and U.S. equity returns are compared over a 10-year probability distribution. This is a product of an econo-metric modeling process in line with qualitative thinking as well.

Mr. Sauter talked about bonds, they believe that bond returns will be in the 3% to 3.5% range over the next decade given the low level of bond yields at the present time. Historic return rates have been in the 5% to 6% range. Bonds are a hedge against the volatility that comes from equities. He noted that a long time horizon greater than the duration of the investments will be better if the interest rates are higher. The desire is to have interest rates higher even if it will cause a short-term principal hit. Credit is desired within the bond arena. Credit spreads blew out in 2008, providing an attractive opportunity for crediting and expectations that the economy would continue to grow,

albeit at a moderate pace. At the present time, the economy is expected to grow at 3% this year, strengthening in the second half, soft patch now. Also, a soft patch at the beginning of next year as well, strengthening in the second half of next year and again 3% next year.

Mr. Sauter noted that the economy is not overly robust, but it is one that continues to move forward and does so without creating undue inflation. It is not anticipated that short-term interest rates will increase for perhaps another year, probably the middle of next year at this point. Also, the intermediate and longer-term rates will back up in advance of the Federal Reserve taking position, which is usually the case. The public markets usually move before the Federal Reserve does. Rates have been coming down dramatically over the last month or so. At some point this will stabilize and within the next six months rates on the intermediate to long-range move a little bit higher. However, a bear flattening is anticipated, so shorter-term rates are expected to move much higher than longer-term rates because the yield curve is very steep right now and there is more room for short-term rates to move up. He noted that a lot of people are positioning at the short end of the yield curve in anticipation of a back up in rates. In fact, a dramatic principal decline in the short end could be seen because rates could move much more dramatically, they could back up four percentage point on a two-year duration. The other advantage of intermediate versus short-term right now is getting paid a lot for the carrot. He noted that as the economy continues to improve that credit spreads will continue to tighten and if the Treasury is back up, credit could back up, but not as much.

He discussed TIPS, noting that he is very worried about TIPS right now. The real yields are extremely low, real yields meaning 75 basis point range for the 10-year TIPS. He talked about emerging markets and why investors are weighting emerging markets heavily. He believes there is either a presumption of tremendous economic growth in emerging markets and/or greater returns. He noted that there is belief there will be greater economic growth in emerging markets even though India and China have made moves to slow down their economies, they will continue to grow at a very rapid rate. They have grown 9% to 10% a year for the last couple of decades. Unfortunately, there is no correlation between equity returns and GDP growth. He noted that financial theory would say that there is no correlation between economic growth and equity returns and there is compensation for taking risk. Equities are expected to return greater than bonds because they are more volatile, they are riskier. The market will adjust prices at the beginning to reflect that, so the expected return for equities should be higher than the expected return for bonds; but the expected returns for emerging markets over developed markets would, therefore, have to be linked to the risk of investing in emerging markets relative to developed markets. He concluded his presentation noting that the trade deficit, which is obviously significant, is highly driven by the dependency on oil; when oil goes up, the dollar goes down relative to the Euro; when oil goes down, the dollar rallies and that is what has been seen in the last four years, it is an extraordinarily strong correlation. The trade deficit will never be balanced until dependency on oil is reduced.

Chairman Sowerby thanked Mr. Sauter for this time and his presentation.

Investment Reports

Active Domestic Equity – Mr. Jack Behar reported on the SMRS' active domestic equity investments. The market value for the active domestic equity holdings as of March 31, 2011, was \$18,049 million. He began by noting his presentation would be a review of the three internal funds, then touching on the small, mid, and large cap, and finish with a counter-consensus view on commodity-driven investments.

Mr. Behar first looked at the growth fund which was launched with a new portfolio manager on January 1, 2005. Since that time the growth fund has outperformed by 30 basis points annualized and on a five year basis, the growth fund is in the 45th percentile of active managers. Fees on the growth fund are about five basis points. Using 60 basis points as an estimate for peer group fees, the growth fund has outperformed by roughly 80 basis points net on a five-year basis. He moved to the core fund which has a very similar story – inception to date, the core fund has outperformed its benchmark by 28 basis points which is in the 59th percentile of all active managers on a gross basis. The value fund has struggled a bit inception-to-date, although on a three-year basis, it is outperforming its benchmark, the S&P 500 value.

Mr. Behar moved to the small, mid, and large-cap portfolios. He discussed how the charts provide a picture of why it is believed that large cap is more attractive than small cap and how the internal funds are positioned to add value relative to the large-cap benchmark. Normalized earnings yield for the internal portfolio is 7.3%, normalizing a payout ratio gives a dividend yield of almost 5% in the internal funds; these dividends are composed of both dividends paid and buy-backs. He noted in looking at the large cap versus the small cap, it is not just that the large cap has a lower PE, it is that small caps need to invest most of their money back into the business to grow. The dividend yield on small-cap stocks is roughly 0.5%. He noted that it is believed that there is more value in the internal portfolio than in the S&P 500 and the S&P 500 is the most attractive asset class right now. Mr. Behar stated that the internal portfolios have less volatility than the S&P 500. One reason for that and one of the reasons that a higher dividend yield is noted, is that a lot of the less risky companies have been neglected. The bond-like equities have been neglected.

Mr. Behar moved to commodities, which he stated is a counter-consensus view. He noted that the argument for commodity-driven investment is two-fold. One, that the Fed policy is inflationary with QE 2 and, second, that there is tremendous growth in the emerging markets. He explained his view: one, the Fed policy is not inflationary; and two, a lot of the growth that is noted in emerging markets over the past three years has been excess liquidity-driven, which has driven up commodity prices. He noted it is his belief that the excess liquidity cannot continue over the longer term. He stated that as far as the Fed policy, all of the expansion of the Fed's balance sheet has just offset a massive deleveraging by the banks. He noted Milton Friedman's biggest argument or biggest complaint about the Fed in 1930 was that while the banks were deleveraging the Fed did nothing, did not print any money; the M2 declined by 30% in the Great Depression because the Fed did nothing. He stated that Ben Bernanke learned that

lesson and all the money that was printed by the Fed offset bank deleveraging. Over the past three years, the U.S. money supply growth in excess of normalized GDP is slightly over 2%. The U.S. from 1972 to 1977 grew its money supply by about 6% annualized over normalized GDP.

Mr. Behar discussed the M2 and that this is partially driven by what the Fed puts into the system, it is also driven by bank lending because there is a multiplier effect. So, when the banks stop lending, the money supply contracts. That is why it was important to save the banks. He explained that commodity prices have exploded because of what is going on in emerging markets. He believes the root cause of what is happening there is because of the currency peg. The currency peg, particularly in China is inherently inflationary. The other factor that has increased the Chinese money supply has been the huge lending binge that China ordered its banks to do in 2009 during the downturn. Over the past three years, China has almost doubled its money supply.

He discussed the labor rates in China, the rates are up 20%, but the U.S. consumer is not paying any more for product. Commodity prices are up, so import costs are up, tremendously impacting profitability. Chinese exporters have very, very slim margins. Commodity prices, if they go down, they give a little breathing room to the export industry; if they go up, it again puts more pressure on labor rates, more pressure on input costs, and there is risk to social stability. Some U.S. retailers are talking about relocating their operations away from China because of those costs. This creates an unemployment problem, so the Chinese government is in a difficult spot. He noted that many people do not realize that the Chinese export industry, if you look at the net exports, has declined as a percent of GDP, the economy is being driven by infrastructure at this point. He closed with a quote from Warren Buffett on Commodities, April, 2011: *“There are very few commodities where we know the direction of their movement in the next six months to a year,”* he said. *“People like to get in on things that are rising in prices. Over time, it has not been the way to get rich.”*

Alternative Investments – Mr. Peter Woodford reported on the SMRS’ alternative investments. The total market value as of March 31, 2011, was \$10,553 million. He noted that the marked-to-market valuations increased 8% for the first quarter while all asset classes performed well, the mezzanine performed exceptionally well because of the dislocation in the capital markets in 2008 and 2009. The first quarter distributions were \$890 million, the highest distributions in four years continuing the trend that was seen beginning the second half of 2010. There was one new commitment approved in the first quarter for \$15 million to Arboretum Ventures which is an early-stage capital firm specializing in the health care sector. He noted that the actual allocation was at 20.6% with the target allocation of 14% a goal to continue to work toward.

Mr. Woodford reviewed the outlook noting that 2011 looks promising, particularly for exits; despite concerns of slower economic growth, the economy has stabilized, capital markets have improved, leverage is returning and exit opportunities are increasingly available through the IPO market, strategic sales and secondary transactions. The first quarter includes the three largest sponsor-backed IPOs in the industry’s history – HCA,

Kinder Morgan, and Nielsen Company. Last month LinkedIn went public and shares more than doubled setting the stage for other internet companies including Facebook and Groupon. He noted that anecdotal evidence points to a resurgence in buyout deal activity. These drivers include investment deadlines, cash-rich corporations, a strong financing market and buyout shops, which are hungry to do deals after three years of inactivity. The mid to lower end of the buyout market remains attractive, with smaller firms using less leverage and employing more operational expertise.

Mr. Woodford noted the distressed debt opportunities have diminished. The wall of debt maturities still exists, but ample liquidity and low default levels mean fewer investment opportunities and lower returns. Secondary market transactions experienced lower discounts to net asset values in the first half of 2011, which is an indicator of improved market conditions and valuations. Pricing has continued a slow move upward. He noted as the overall economy has gone from a crisis state to a slow-growth state, fundraising is showing nominal pickup. Fundraising in the first quarter was higher than in the first quarter of 2010, but still way off the historical peak of 2008. Mr. Woodford concluded his presentation noting that the first quarter of 2011 was a record quarter for distributions. The second quarter of this year, the pace has slowed down a bit, but overall the direction is good which is a result of the improved capital markets.

Fixed Income – The total market value for the fixed income portfolio as of March 31, 2011, was \$7,453 million. Chairman Sowerby stated in the spirit of time the fixed income report will be received and filed.

Real Estate – The market value for the real estate portfolio as of March 31, 2011, was \$4,474 million. Chairman Sowerby stated in the spirit of time the real estate report will be received and filed.

International Equity – The total international equity exposure as of March 31, 2011, was \$7,265 million. Chairman Sowerby stated in the spirit of time the international equity report will be received and filed.

Indexed Domestic Equity – The market value of the indexed domestic equity portfolio as of March 31, 2011, was \$6,103 million. Chairman Sowerby stated in the spirit of time the indexed domestic equity report will be received and filed.

Absolute and Real Return – The market value of the absolute and real return portfolio as of March 31, 2011, was \$2,586 million. Chairman Sowerby stated in the spirit of time the absolute and real return report will be received and filed.

Basket Clause – The fair market value of the basket clause investments as of March 31, 2011, was \$6,201 million or 12.073% of the total portfolio market value of \$51.365 billion. Chairman Sowerby stated in the spirit of time the basket clause report will be received and filed.

Next Meeting Date and Adjournment

Chairman Sowerby asked for a motion to adjourn the June meeting and remind you that the next meeting is Thursday, September 1, 2011. A motion was made to adjourn by Mr. Roger Robinson and seconded by Mr. Steven Hilfinger. All were in favor. Meeting adjourned at 12:03 p.m.

Approved:

David G. Sowerby, Chairman

**STATE OF MICHIGAN
RETIREMENT SYSTEMS**

PERFORMANCE

**FOR PERIODS ENDING
JUNE 30, 2011**

**INVESTMENT ADVISORY COMMITTEE MEETING
SEPTEMBER 1, 2011**



**Jon M. Braeutigam
Chief Investment Officer
Bureau of Investments**

Bureau of Investments

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.

State of Michigan Retirement Systems

Goals



*Meet or exceed actuarial assumption
over the long term.*

Maintain sufficient liquidity to pay benefits.

*Achieve optimal rate of return possible
with prudent levels of risk.*

Objectives



Diversify assets to reduce risk.

*Perform in the top half of the public plan
universe over the long term.*

*Exceed individual asset class benchmarks
over the long term.*

Operate in a cost-effective manner.

Market/Economic Environment

Market Environment

	<u>12/31/10</u>	<u>2010 Price Change</u>	<u>6/30/11</u>	<u>YTD Price Change</u>
DJIA	11,578	+11.02%	12,414	+7.23%
S&P 500	1,258	+12.78%	1,321	+5.01%
NASDAQ	2,653	+16.91%	2,774	+4.55%
BMI-EPAC (Local)	189.5	+4.57%	186.9	-1.38%
BMI-EPAC (USD)	242.3	+7.57%	250.5	+3.38%

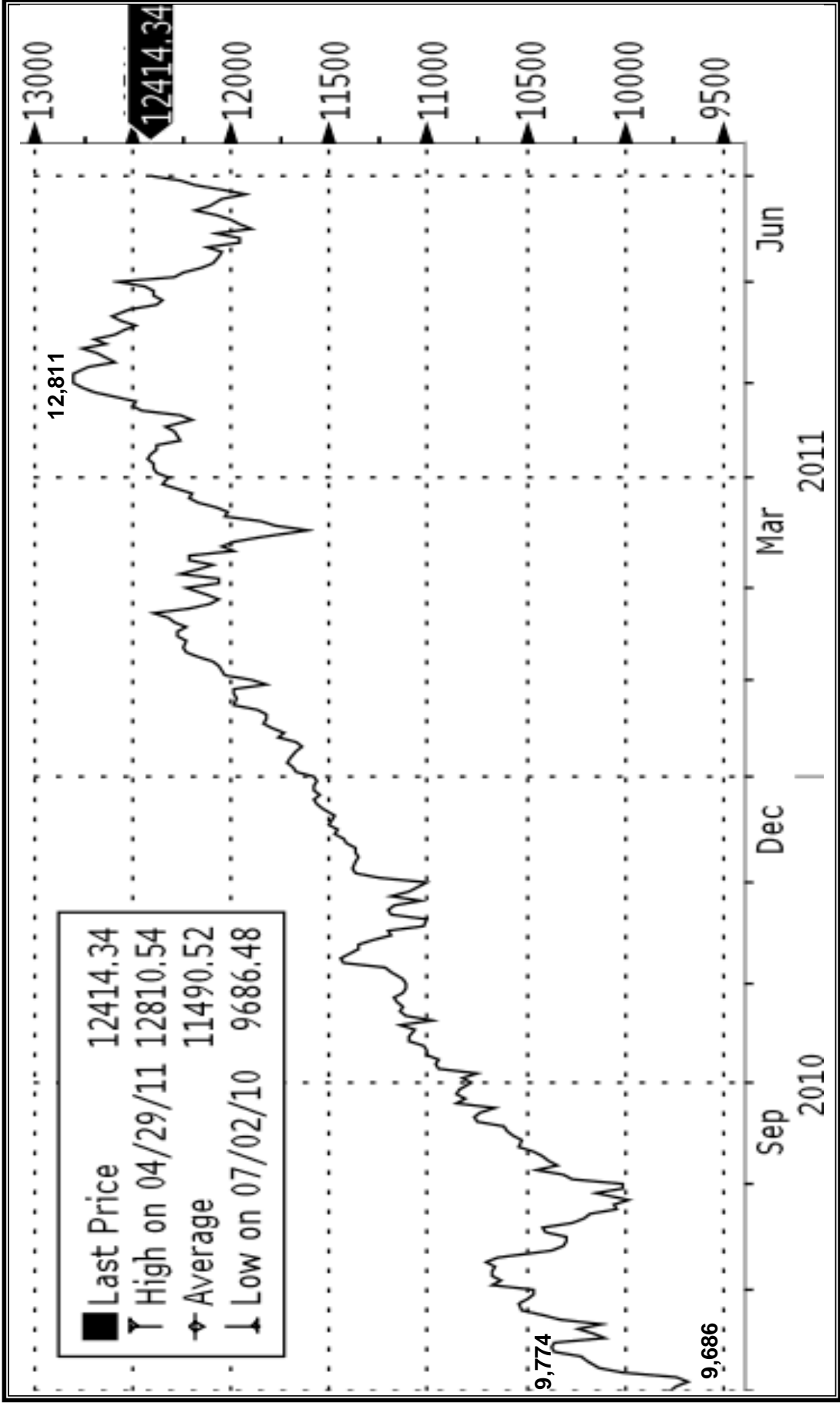
	<u>12/31/10</u>	<u>2010 bp Change</u>	<u>6/30/11</u>	<u>YTD bp Change</u>
30-Year Treas.	4.34%	-30 bp	4.37%	3 bp
10-Year Treas.	3.30%	-54 bp	3.16%	-14 bp
5-Year Treas.	2.01%	-67 bp	1.76%	-25 bp
2-Year Treas.	0.60%	-54 bp	0.46%	-14 bp
26-Week T. Bill	0.19%	-1 bp	0.10%	-9 bp
13-Week T. Bill	0.13%	7 bp	0.02%	-11 bp
Fed Funds	0.25%	0 bp	0.25%	0 bp
Prime Rate	3.25%	0 bp	3.25%	0 bp

Economic Environment

- Second quarter real GDP increased by 1.3% as consumer spending waivered. The first quarter came in at 0.4%.
- Core inflation was up 1.6%, and CPI was up 3.6%. Ten-year breakeven tips yield was at 2.4%.
- Housing starts averaged 575,000, up from an average of 563,000 in the first quarter. Retail sales were up 8.0% year-over-year.
- Unemployment was 9.2%, up from 8.8% in the first quarter. Initial claims for unemployment averaged 425,000 versus 406,000 in the first quarter.
- S&P 500 fell nearly 0.4% from first quarter levels, while at \$96 per barrel, oil fell by 10%.
- U.S. budget deficit as a percent of GDP rose to 9.1%.
- Effective Fed Funds rate fell to 7 basis points.

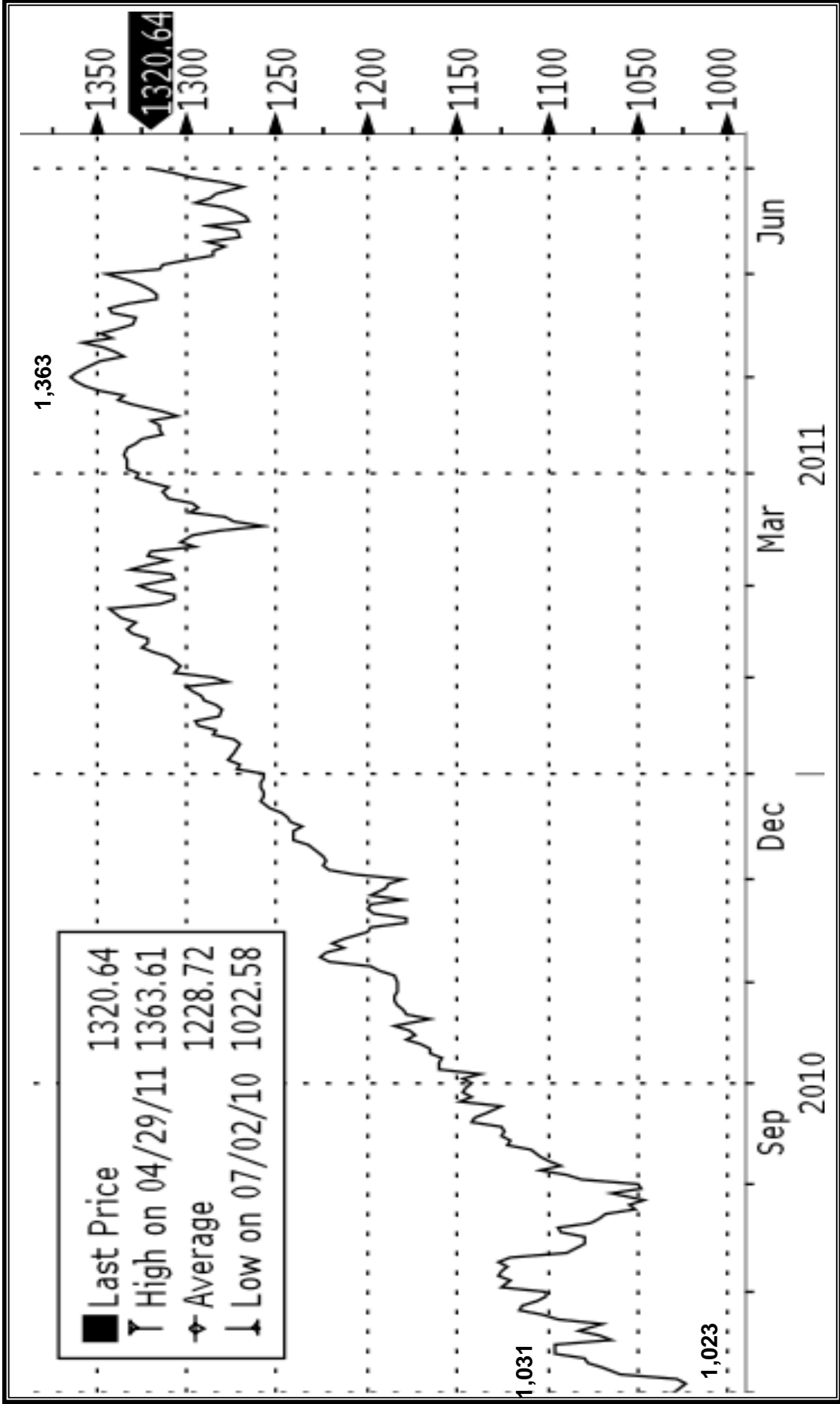
DOW JONES INDUSTRIAL AVERAGE

ONE YEAR ENDING JUNE 30, 2011



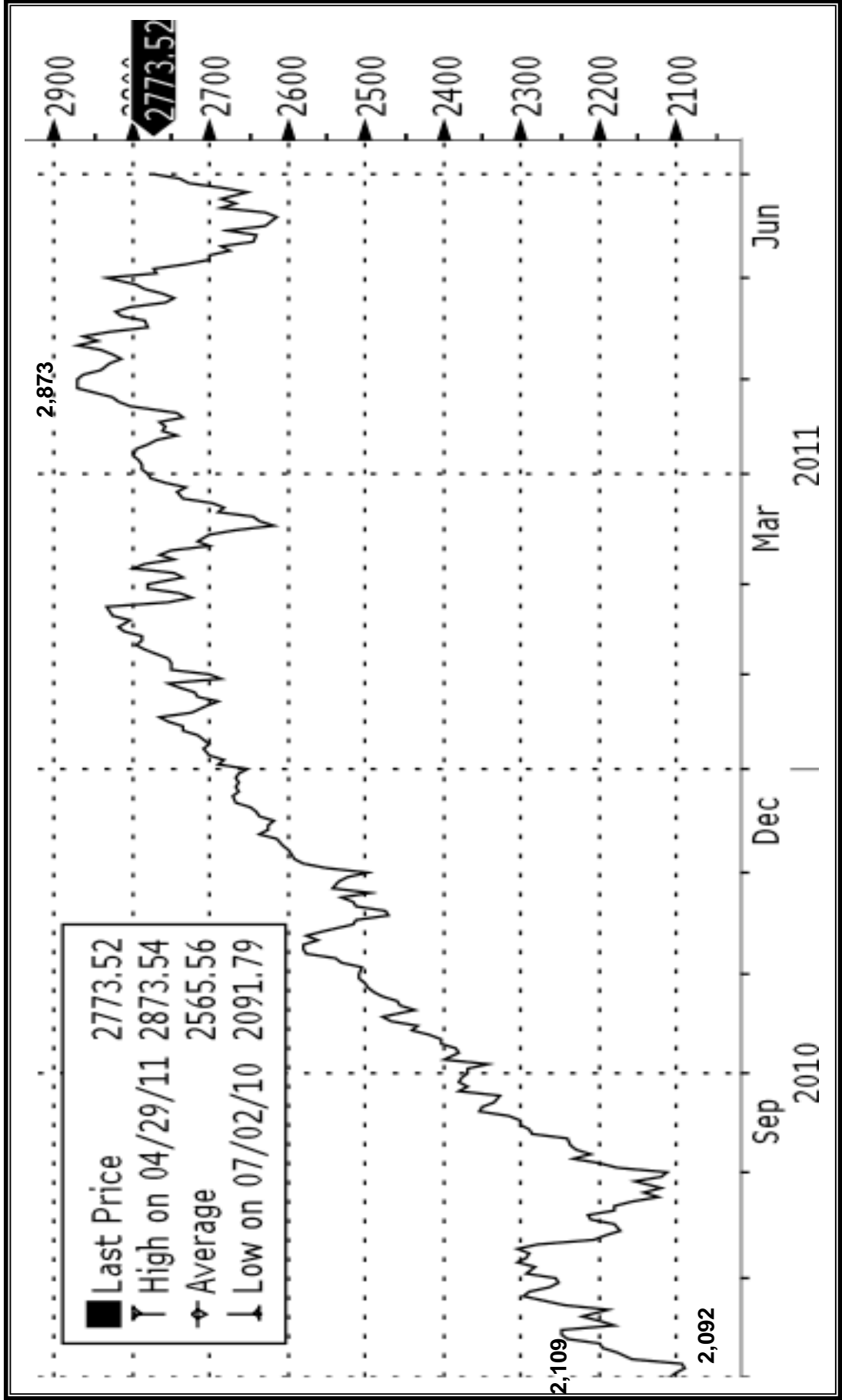
S&P 500 INDEX

ONE YEAR ENDING JUNE 30, 2011



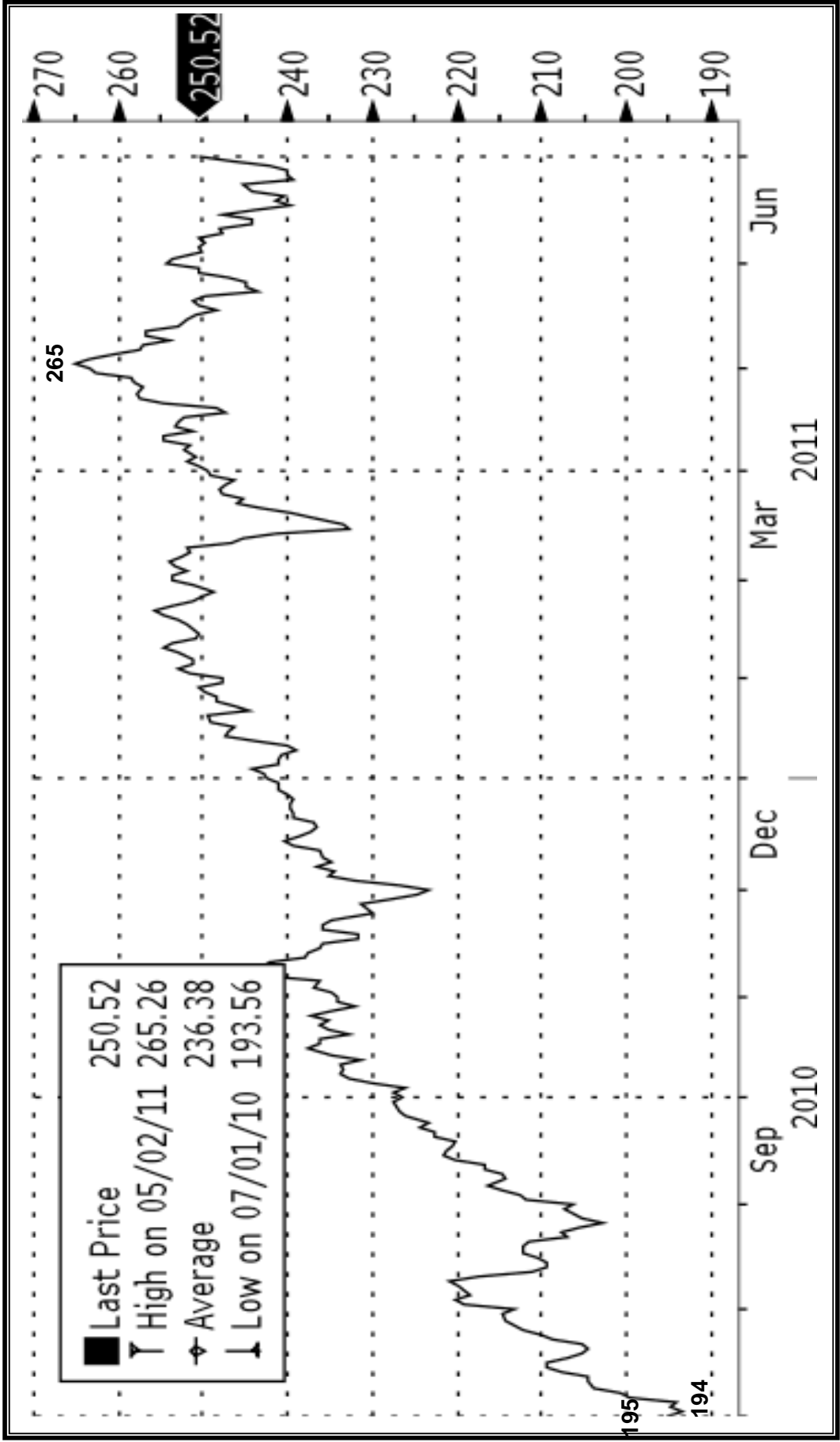
NASDAQ

ONE YEAR ENDING JUNE 30, 2011



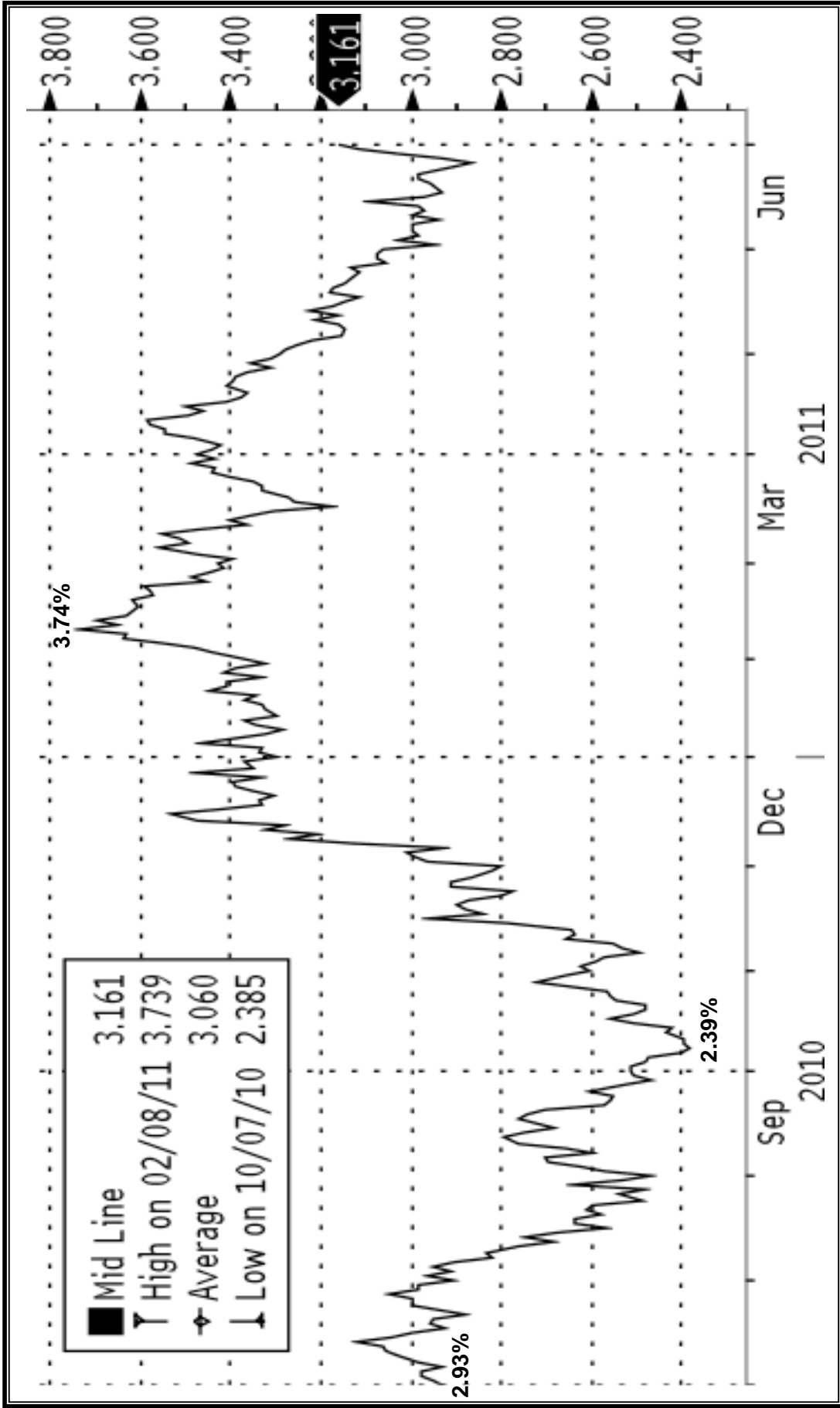
INTERNATIONAL — S&P/CITIGROUP BMI EPAC (USD)

ONE YEAR ENDING JUNE 30, 2011



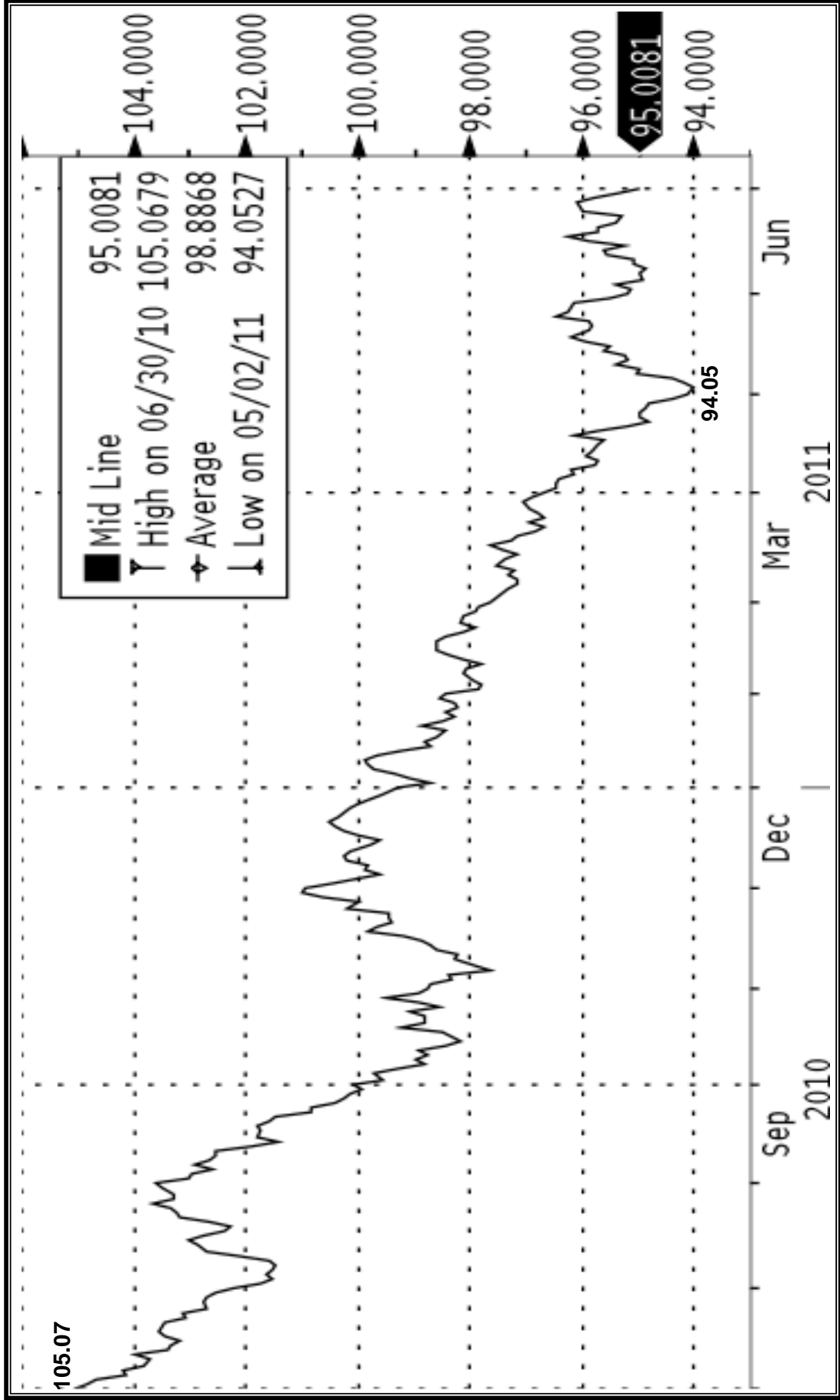
TEN-YEAR U.S. TREASURY NOTE YIELDS

ONE YEAR ENDING JUNE 30, 2011



U.S. DOLLAR TRADE-WEIGHTED INDEX

ONE YEAR ENDING JUNE 30, 2011



State of Michigan Retirement Systems
Performance By Trailing Four Quarters
Total Rates of Return

<u>FUND</u>	<u>THIRD</u> <u>QTR. 2010</u>	<u>FOURTH</u> <u>QTR. 2010</u>	<u>FIRST</u> <u>QTR. 2011</u>	<u>SECOND</u> <u>QTR. 2011</u>
MPSERS	7.15 %	6.21 %	4.89 %	1.98 %
MSERS	7.19 %	6.21 %	4.86 %	1.95 %
MSPRS	7.09 %	6.26 %	4.92 %	2.00 %
MJRS	7.61 %	6.43 %	4.81 %	1.75 %
Large Cap Core	11.48 %	6.69 %	4.07 %	-0.73 %
Large Cap Growth:				
Large Cap Growth	12.69 %	10.84 %	3.40 %	-0.12 %
Large Cap Dividend Growth	5.12 %	24.70 %	-7.35 %	-1.81 %
Aletheia	12.54 %	14.03 %	4.36 %	-3.25 %
Edgewood	18.71 %	8.94 %	7.41 %	0.66 %
Large Cap Value:				
Large Cap Value	11.51 %	8.45 %	6.19 %	-0.69 %
LSV	9.76 %	10.02 %	8.20 %	-1.13 %
Wasatch	10.45 %	9.76 %	6.17 %	-1.54 %
Epoch	11.65 %	10.30 %	7.22 %	0.81 %
Diamond Hill	8.75 %	9.92 %	5.73 %	0.80 %
Mid Cap Value:				
Artisan	11.13 %	9.32 %	10.63 %	0.37 %
Cramer Rosenthal	13.68 %	15.93 %	5.72 %	1.49 %
Mid Cap Growth:				
Rainier Investment	13.95 %	14.71 %	9.59 %	0.38 %
Wellington	14.25 %	15.86 %	9.98 %	-0.85 %
Mid Cap Core:				
L.A. Capital	13.52 %	12.05 %	9.61 %	-1.36 %
Champlain	10.57 %	12.29 %	9.32 %	1.49 %
Munder	11.97 %	13.50 %	8.08 %	1.61 %
Seizert	16.50 %	12.28 %	6.82 %	2.73 %
Small Cap Growth:				
Pier Capital	12.10 %	16.01 %	13.33 %	-1.28 %
Small Cap Value:				
Fisher	11.96 %	15.54 %	10.57 %	-3.38 %
NorthPointe	9.55 %	17.21 %	5.80 %	-0.89 %
GW Capital	10.64 %	18.43 %	12.78 %	-0.33 %
Donald Smith	7.58 %	13.55 %	3.80 %	-1.99 %
Opus Capital	10.92 %	13.53 %	8.14 %	-4.26 %
Small Cap Core:				
Champlain	11.57 %	15.21 %	8.99 %	0.63 %

State of Michigan Retirement Systems
Performance By Trailing Four Quarters
Total Rates of Return

<u>FUND</u>	<u>THIRD</u> <u>QTR. 2010</u>	<u>FOURTH</u> <u>QTR. 2010</u>	<u>FIRST</u> <u>QTR. 2011</u>	<u>SECOND</u> <u>QTR. 2011</u>
Manager of Managers:				
Attucks	11.31 %	11.94 %	6.70 %	-0.41 %
Bivium	12.82 %	12.06 %	8.62 %	0.65 %
Leading Edge	11.00 %	11.41 %	7.57 %	0.34 %
S&P 500 Index	11.31 %	10.82 %	5.96 %	0.20 %
S&P Mid-Cap Index	13.30 %	13.67 %	9.57 %	-0.45 %
International:				
International Equity	14.52 %	7.32 %	3.43 %	0.97 %
Global Dividend Fund	16.16 %	6.75 %	5.86 %	1.73 %
Wellington Intl	18.36 %	7.27 %	3.49 %	2.40 %
SSGA Intl Alpha	16.17 %	8.23 %	5.18 %	1.20 %
SSGA Intl Small Cap Alpha	18.56 %	11.42 %	4.84 %	2.85 %
PIMCO Intl Stock Plus	- %	- %	3.91 %	2.92 %
Emerging Markets:				
Vanguard Emerging Markets	19.98 %	7.42 %	1.88 %	-0.93 %
LA Capital Emerging Markets	19.16 %	9.14 %	2.52 %	0.29 %
PIMCO EM Fund Index Plus	- %	- %	3.69 %	0.17 %
Alternative Investments				
Alternatives Equity	0.90 %	6.18 %	8.12 %	6.60 %
Alternatives Fixed Income	0.86 %	6.28 %	8.44 %	6.57 %
Real Estate	1.68 %	4.25 %	1.47 %	7.38 %
Government Bonds	3.79 %	4.28 %	4.18 %	3.83 %
Corporate Bonds	1.93 %	-0.74 %	0.35 %	2.61 %
Fixed Income Core:	3.46 %	-1.80 %	0.82 %	2.51 %
Delaware Investments	3.14 %	-1.29 %	0.76 %	1.88 %
Dodge & Cox	2.57 %	0.18 %	1.14 %	2.01 %
Pyramis Global	3.15 %	-0.60 %	1.07 %	2.24 %
Metropolitan West	3.50 %	-0.22 %	1.31 %	1.91 %
Fixed Income Managers:				
Alliance Bernstein	5.01 %	-1.28 %	1.49 %	2.26 %
Prudential Investment	4.87 %	-1.15 %	1.00 %	2.43 %
CMBS Investment	10.53 %	17.08 %	14.51 %	-2.12 %
Absolute Return:				
Absolute Return Strategies	0.76 %	2.47 %	2.74 %	0.13 %
Commodity Investments	9.29 %	14.78 %	7.61 %	-5.40 %
Opportunistic Investments:				
Opportunistic Investments	2.54 %	2.53 %	4.10 %	0.09 %
Special Situations Fund I	10.18 %	4.73 %	3.82 %	1.01 %
Cash Equivalents	0.01 %	0.02 %	0.01 %	0.01 %
Short Term Fixed Income	0.13 %	0.09 %	0.09 %	0.08 %

MPSERS

Time-Weighted Rates of Return
Periods Ending June 30, 2011

Assets % of Portfolio 06/30/11	Ten Years ¹		Seven Years ¹		Five Years ¹		Three Years ¹		One Year ¹		Current Quarter	
	Rate	Rank	Rate	Rank	Rate	Rank	Rate	Rank	Rate	Rank	Rate	Rank
TOTAL PLAN	5.1	77	6.2	63	4.5	65	2.9	71	21.7	48	2.0	29
Median - Greater than \$10 Billion ²	5.7		6.4		4.9		3.9		21.5		1.7	
MPSERS Total Plan Policy	4.9		5.8		4.3		3.8		22.5		0.6	
DOMESTIC EQUITIES	34.5	89	4.6	66	3.4	52	4.2	40	30.2	64	-0.4	85
Median ²	4.3		5.3		3.5		3.8		31.1		0.2	
S&P 1500 Index	3.3		4.7		3.3		3.9		31.7		0.0	
Stock-Active	22.8	3.0	4.4		3.3		4.2		29.2		-0.6	
S&P 500 Index/ S&P 1500 Blended Index ³	2.9		4.5		3.3		3.9		31.7		0.0	
Stock- Large Cap Active	18.1	2.7	3.8		2.6		3.2		27.2		-0.6	
S&P 500 Index	2.7		4.2		2.9		3.3		30.7		0.1	
Stock - Mid Cap Active	2.2				6.0		6.3		40.2		0.7	
S&P 400 Mid Cap Index					6.6		7.8		39.4		-0.7	
Stock- Small Cap Active	1.8		8.5		7.8		11.1		37.1		-1.8	
S&P 600 Small Cap Index			7.1		4.6		8.2		37.0		-0.2	
Manager of Managers	0.6						4.7		35.3		0.2	
S&P 1500 Index							3.9		31.7		0.0	
Tactical Allocation Fund⁸	0.1										N/A	
Stock-Passive US Equities	11.7	3.5	5.0		3.6		4.2		32.0		0.1	
S&P 900 Blend ⁴	3.3		4.6		3.2		3.7		31.4		0.0	
Passive S&P 500	10.4	2.9	4.4		3.2		3.7		31.0		0.2	
S&P 500 Index	2.7		4.2		2.9		3.3		30.7		0.1	
Passive S&P Mid-Cap	1.3	8.5	9.2		7.5		9.2		40.5		-0.5	
S&P 400 Mid Cap Index	7.9		8.5		6.6		7.8		39.4		-0.7	
INTERNATIONAL EQUITIES	14.0	5.0	6.6	86	1.8	81	0.2	53	29.2	60	0.9	55
Median ²	6.4		8.2		3.5		0.4		29.9		1.0	
Passive International Equities	9.1	5.0	6.6		1.9		1.1		28.6		1.0	
S&P Developed BMI-EPAC net 75/25 blend ⁷	4.7		6.4		1.1		-0.1		27.4		1.0	
Active International Equities	2.3				1.7		-2.6		34.5		2.1	
S&P Developed BMI Ex U.S. net					2.6		-0.4		31.8		0.9	
Emerging Markets Equities	2.6								30.6		-0.7	
MSCI Emerging Markets Net									27.8		-1.2	

MPSERS

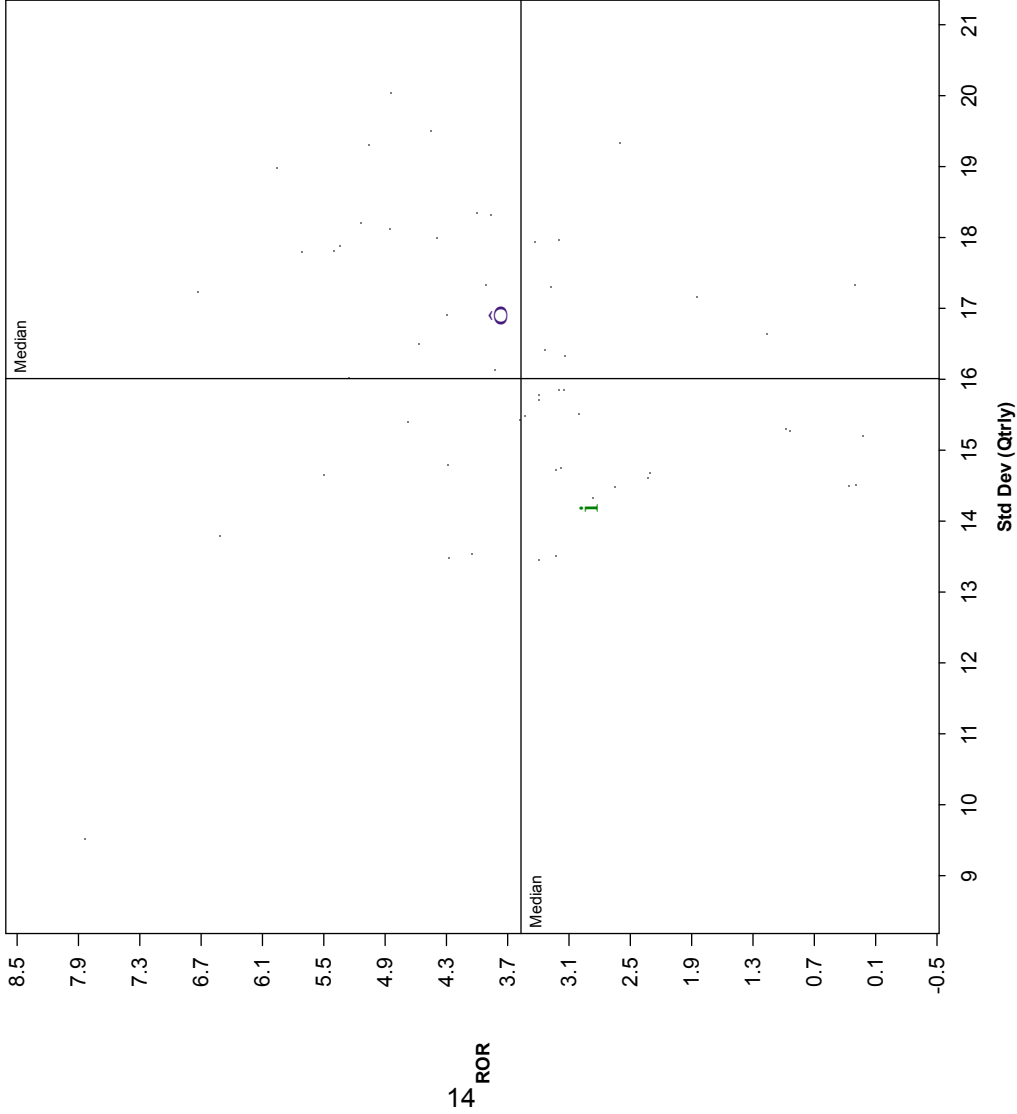
Time-Weighted Rates of Return
Periods Ending June 30, 2011

Assets % of Portfolio 06/30/11	Ten Years ¹		Seven Years ¹		Five Years ¹		Three Years ¹		One Year ¹		Current Quarter	
	Rate	Rank	Rate	Rank	Rate	Rank	Rate	Rank	Rate	Rank	Rate	Rank
ALTERNATIVE INVESTMENTS	20.8	18	13.9	11	10.8	14	4.3	20	23.5	21	6.6	19
Median ²	6.6		10.6		7.5		3.0		18.5		4.2	
Alternative Blended Benchmark ⁵	6.1		7.5		6.3		6.5		33.1		0.9	
REAL ESTATE	9.0	46	3.6	53	-1.2	45	-10.1	61	17.1	59	3.8	51
Median ²	4.8		3.7		-1.6		-9.5		18.0		3.8	
NCREIF - Property Blended Index ⁶	6.5		6.2		2.1		-3.8		15.3		3.6	
NCREIF Open Fund Index Net	4.7		4.0		-0.9		-8.5		19.4		4.4	
BONDS	13.8	67	6.2	61	7.5	44	8.0	52	5.5	79	2.4	28
Median ²	6.5		6.4		7.4		8.1		7.8		2.1	
Barclays Govt/Credit	5.7		5.3		6.4		6.2		3.7		2.3	
Government	3.1	5.7	5.6	5.6	6.7	6.4	6.4	6.4	4.2	2.6	2.6	2.6
Barclays Government	5.4		5.1		6.1		5.1		2.3		2.2	
Corporate	8.0	6.4	6.3	6.3	7.8	7.8	8.4	8.4	5.0	2.5	2.5	2.5
Barclays Credit	6.3		5.8		7.0		8.2		6.2		2.5	
Fixed Income External	2.7	6.3	6.8	6.8	7.7	7.7	7.7	7.7	6.2	2.2	2.2	2.2
Barclays Aggregate			6.5		6.5		6.5		3.9		2.3	
ABSOLUTE RETURN	2.4	6.1	6.2	6.1	7.5	44	8.0	52	5.5	79	2.4	28
HFRX Absolute Return							-4.4		6.2		0.1	
							-5.9		0.4		-2.0	
REAL RETURN	0.7	6.5	5.7	5.7	6.4	6.4	6.2	6.2	27.7	27.7	-5.4	-5.4
DJ-UBS Commodity Index TR									25.9		-6.7	
OPPORTUNISTIC INVESTMENTS	2.0	6.3	6.3	6.3	7.8	7.8	8.4	8.4	5.0	2.5	2.5	2.5
CASH EQUIVALENTS	2.8	2.0	2.1	2.1	1.7	1.7	1.1	1.1	0.3	0.3	0.1	0.1
1 Month T-Bill		1.9	2.1	2.1	1.7	1.7	0.2	0.2	0.1	0.1	0.0	0.0

¹ Annualized Returns
² 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.
³ Active Equity - Index is S&P 500 prior to March 2006, S&P 1500 current.
⁴ History prior to 5/1/07 is the S&P 1500
⁵ SP 500 + 300 BP through 12/31/06. Ending market value weighted blend of 10 yr yield + 300 BP and SP 500 + 300 12/31/06 to present.
⁶ NCREIF - Property Blended Index is NPI minus 75 basis points prior to October 2005, NPI minus 130 basis points current.
⁷ International benchmark is S&P Developed BMI-EPAC 50/50 prior to 1/1/2010. S&P Developed BMI-EPAC 75 USD / 25 Local, 1/1/2010 to present.
⁸ Tactical Allocation Fund quarter return not available due to partial period investment; inception date 5/24/11.
Source: State Street Analytics; the NCREIF - NPI (Property Index) source is NCREIF; the S&P BMI-EPAC Index source is S&P.

MPERSERS TOTAL PLAN UNIVERSE REPORT

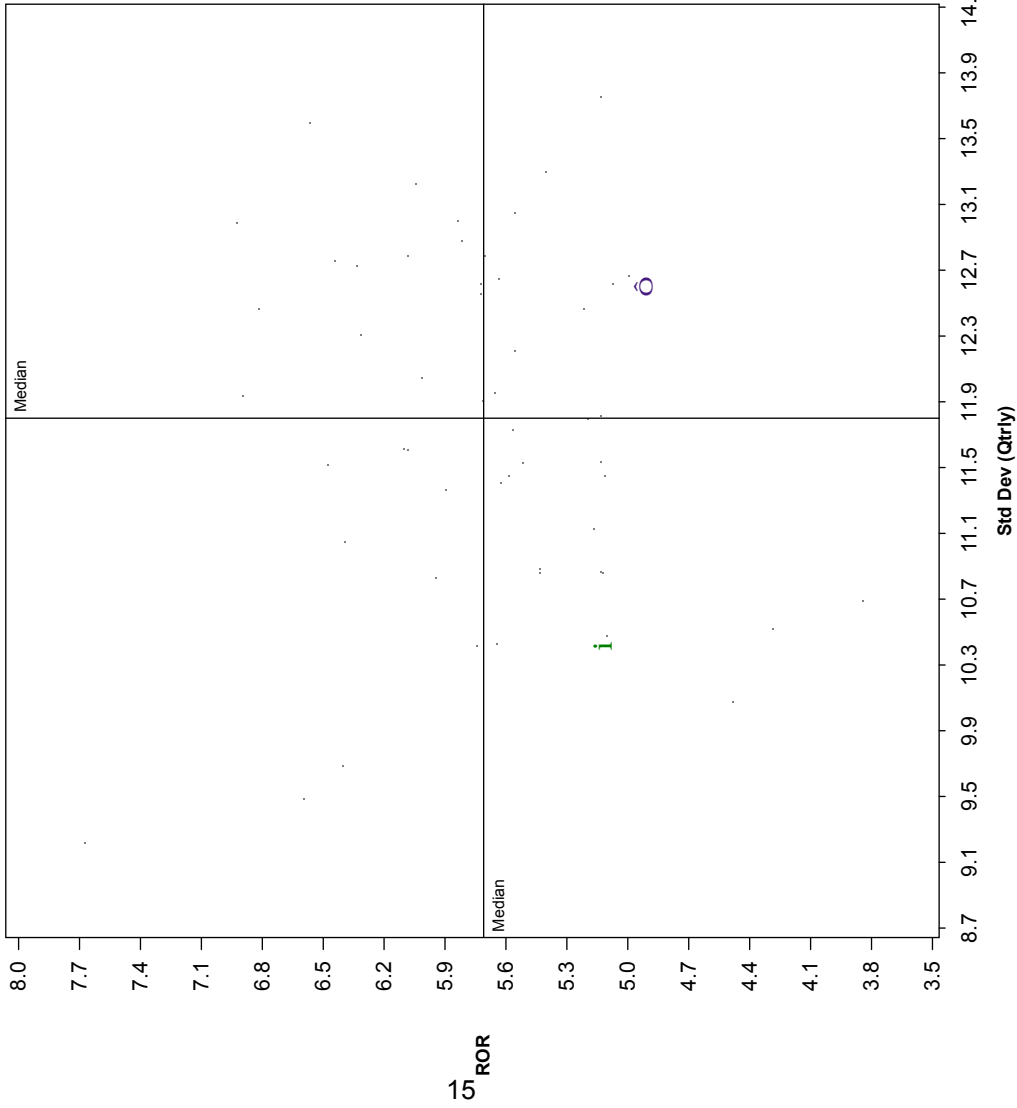
Public Funds (DB) > \$1 Billion (SSE) - Risk vs. Return 3 Years
 Period Ending June 30, 2011



NAME	Std Dev (Qtrly) 3 Yrs	ROR 3 Yrs
5th Percentile	13.46	7.11
25th Percentile	14.69	4.85
50th Percentile	16.01	3.57
75th Percentile	17.80	3.08
95th Percentile	19.32	0.31
No. of Obs	54	55
TOTAL PUBLIC SCHOOL	14.31	12
MPERSERS TOTAL PLAN POLICY	16.94	62

MPERSERS TOTAL PLAN UNIVERSE REPORT

Public Funds (DB) > \$1 Billion (SSE) - Risk vs. Return 10 Years
 Period Ending June 30, 2011



NAME	Std Dev (Qtrly) 10 Yrs	10 Yrs
5th Percentile	9.58	6.91
25th Percentile	10.86	6.12
50th Percentile	11.80	5.71
75th Percentile	12.64	5.20
95th Percentile	13.29	4.49
No. of Obs	53	54
TOTAL PUBLIC SCHOOL	10.47	12
MPERSERS TOTAL PLAN POLICY	12.62	73

15th ROR

MPERS

Time-Weighted Rates of Return Public Plan Universe Comparison* Periods Ending June 30, 2011

	<u>Quarter</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
MPERS	1.98	21.74	2.88	4.52	5.11 %
Rank	16	49	77	64	91
bp Difference - Median	70	4	-69	-23	-60
5th Percentile	2.48	25.15	7.11	6.05	6.91 %
25th Percentile	1.76	23.04	4.85	5.13	6.12 %
Median	1.28	21.70	3.57	4.75	5.71 %
75th Percentile	1.00	20.38	3.08	4.22	5.20 %
95th Percentile	0.50	18.13	0.31	3.14	4.49 %

Five-Year Smoothing

	<u>2002-2007</u>	<u>2003-2008</u>	<u>2004-2009</u>	<u>2005-2010</u>	<u>2006-2011</u>
MPERS	11.29 %	10.21 %	2.41 %	2.89 %	4.52 %
Median	11.48 %	9.87 %	2.18 %	2.68 %	4.69 %

Return vs. Risk

	<i>ANNUALIZED RETURNS</i>		<i>STD. DEVIATIONS</i>	
	<u>Value</u>	<u>Rank</u>	<u>Value</u>	<u>Rank</u>
	<u>Five Years</u>		<u>Five Years</u>	
MPERS	4.52 %	64	11.87 %	17
Median	4.75 %		13.05 %	
	<u>Ten Years</u>		<u>Ten Years</u>	
MPERS	5.11 %	91	10.47 %	12
Median	5.71 %		11.80 %	

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

MPSERS
Cumulative and Consecutive
Total Fund Returns

Cumulative For Years Ending 6/30/2011

	1 Year	2 Year	3 Year	4 Year	5 Year	6 Year	7 Year	8 Year	9 Year	10 Year
MPSERS	21.74	16.16	2.88	1.12	4.52	5.82	6.16	7.40	6.65	5.11
Public Plan - Median (> \$1 billion)*	21.70	17.29	3.57	1.87	4.75	5.71	6.30	7.42	7.09	5.71
Rank	49	66	77	70	64	43	62	53	74	91
bp Difference - Median	+4	-113	-69	-75	-23	+11	-14	-2	-44	-60

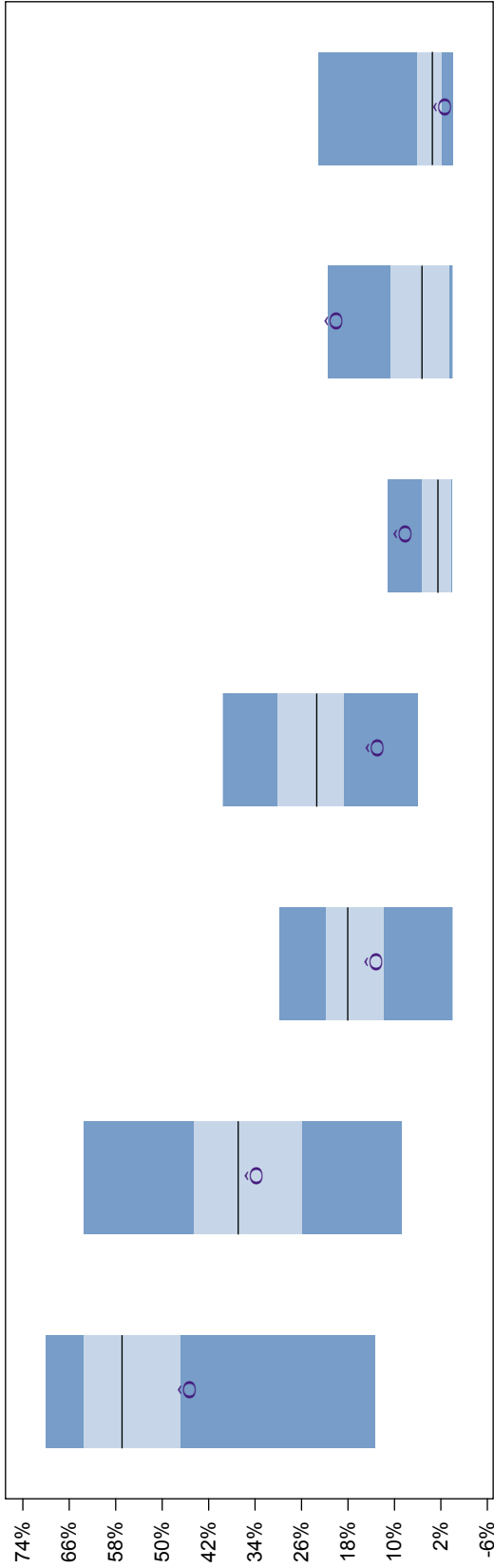
Consecutive For Years Ending

	6/11	6/10	6/09	6/08	6/07	6/06	6/05	6/04	6/03	6/02
MPSERS	21.74	10.85	-19.30	-3.97	19.31	12.52	8.25	16.51	0.84	-7.77
Public Plan - Median (> \$1 billion)*	21.70	13.48	-19.28	-3.97	17.75	10.95	9.72	15.71	4.21	-5.54
Rank	49	76	52	50	17	12	91	37	98	82
bp Difference - Median	+4	-263	-2	0	+156	+157	-147	+80	-337	-223

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

MPERS TOTAL PLAN UNIVERSE REPORT

Public Funds (DB) > \$1 Billion (SSE) - Allocation
 Period Ending June 30, 2011



	Equities %	Equities Domestic %	Equities Foreign %	Fixed Income %	Real Estate %	Private Equity %	Cash Equiv %
5th Percentile	69.98	63.59	29.70	39.53	11.13	21.54	23.12
25th Percentile	63.56	44.64	21.80	30.23	5.26	10.75	6.18
50th Percentile	56.92	36.92	18.04	23.39	2.51	5.27	3.48
75th Percentile	46.71	25.86	11.73	18.61	0.12	0.44	1.84
95th Percentile	13.31	8.82	0.00	5.98	0.00	0.00	0.03
No. of Obs	57	57	57	57	57	57	57
1 TOTAL PUBLIC SCHOOL	46.19	34.69	14.08	13.85	9.05	20.95	2.25

MSERS

Time-Weighted Rates of Return Public Plan Universe Comparison* Periods Ending June 30, 2011

	<u>Quarter</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
MSERS	1.95	21.71	2.69	4.38	5.05 %
Rank	17	50	79	68	92
bp Difference - Median	67	1	-88	-37	-66
5th Percentile	2.48	25.15	7.11	6.05	6.91 %
25th Percentile	1.76	23.04	4.85	5.13	6.12 %
Median	1.28	21.70	3.57	4.75	5.71 %
75th Percentile	1.00	20.38	3.08	4.22	5.20 %
95th Percentile	0.50	18.13	0.31	3.14	4.49 %

Five-Year Smoothing

	<u>2002-2007</u>	<u>2003-2008</u>	<u>2004-2009</u>	<u>2005-2010</u>	<u>2006-2011</u>
MSERS	11.27 %	10.14 %	2.34 %	2.75 %	4.38 %
Median	11.48 %	9.87 %	2.18 %	2.68 %	4.69 %

Return vs. Risk

	<i>ANNUALIZED RETURNS</i>		<i>STD. DEVIATIONS</i>	
	<u>Value</u>	<u>Rank</u>	<u>Value</u>	<u>Rank</u>
	<u>Five Years</u>		<u>Five Years</u>	
MSERS	4.38 %	68	11.91 %	18
Median	4.75 %		13.05 %	
	<u>Ten Years</u>		<u>Ten Years</u>	
MSERS	5.05 %	92	10.45 %	12
Median	5.71 %		11.80 %	

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

MSERS
Cumulative and Consecutive
Total Fund Returns

Cumulative For Years Ending 6/30/2011

	1 Year	2 Year	3 Year	4 Year	5 Year	6 Year	7 Year	8 Year	9 Year	10 Year
MSERS	21.71	15.95	2.69	0.95	4.38	5.69	6.06	7.28	6.56	5.05
Public Plan - Median (> \$1 billion)*	21.70	17.29	3.57	1.87	4.75	5.71	6.30	7.42	7.09	5.71
Rank	50	71	79	82	68	52	69	60	85	92
bp Difference - Median	+1	-134	-88	-92	-37	-2	-24	-14	-53	-66

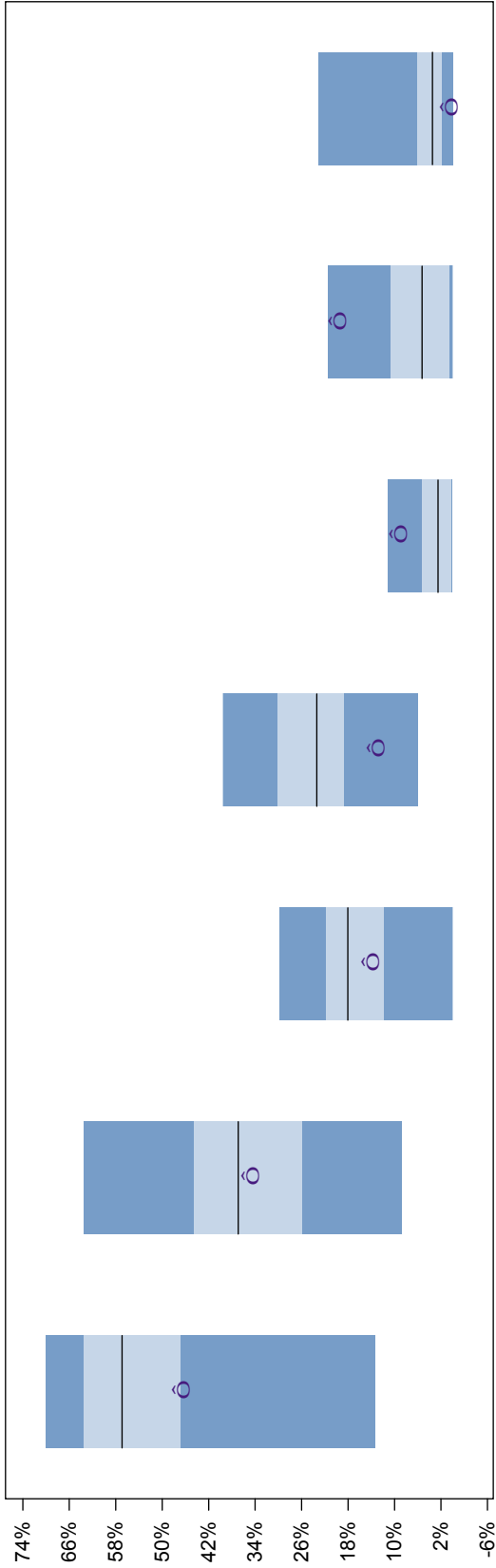
Consecutive For Years Ending

	6/11	6/10	6/09	6/08	6/07	6/06	6/05	6/04	6/03	6/02
MSERS	21.71	10.46	-19.45	-4.08	19.28	12.51	8.30	16.25	0.98	-7.61
Public Plan - Median (> \$1 billion)*	21.70	13.48	-19.28	-3.97	17.75	10.95	9.72	15.71	4.21	-5.54
Rank	50	81	55	51	18	13	90	41	96	81
bp Difference - Median	+1	-302	-17	-11	+153	+156	-142	+54	-323	-207

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

MSERS TOTAL PLAN UNIVERSE REPORT

Public Funds (DB) > \$1 Billion (SSE) - Allocation
 Period Ending June 30, 2011



MSPRS

Time-Weighted Rates of Return Public Plan Universe Comparison* Periods Ending June 30, 2011

	<u>Quarter</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
MSPRS	2.00	21.78	2.69	4.45	5.08 %
Rank	15	49	79	66	91
bp Difference - Median	72	8	-88	-30	-63
5th Percentile	2.48	25.15	7.11	6.05	6.91 %
25th Percentile	1.76	23.04	4.85	5.13	6.12 %
Median	1.28	21.70	3.57	4.75	5.71 %
75th Percentile	1.00	20.38	3.08	4.22	5.20 %
95th Percentile	0.50	18.13	0.31	3.14	4.49 %

Five-Year Smoothing

	<u>2002-2007</u>	<u>2003-2008</u>	<u>2004-2009</u>	<u>2005-2010</u>	<u>2006-2011</u>
MSPRS	11.30 %	10.22 %	2.43 %	2.83 %	4.45 %
Median	11.48 %	9.87 %	2.18 %	2.68 %	4.69 %

Return vs. Risk

	<i>ANNUALIZED RETURNS</i>		<i>STD. DEVIATIONS</i>	
	<u>Value</u>	<u>Rank</u>	<u>Value</u>	<u>Rank</u>
	<u>Five Years</u>		<u>Five Years</u>	
MSPRS	4.45 %	66	11.83 %	16
Median	4.75 %		13.05 %	
	<u>Ten Years</u>		<u>Ten Years</u>	
MSPRS	5.08 %	91	10.43 %	12
Median	5.71 %		11.80 %	

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

MSPRS
Cumulative and Consecutive
Total Fund Returns

Cumulative For Years Ending 6/30/2011

	1 Year	2 Year	3 Year	4 Year	5 Year	6 Year	7 Year	8 Year	9 Year	10 Year
MSPRS	21.78	15.97	2.69	1.01	4.45	5.77	6.13	7.34	6.60	5.08
Public Plan - Median (> \$1 billion)*	21.70	17.29	3.57	1.87	4.75	5.71	6.30	7.42	7.09	5.71
Rank	49	71	79	80	66	47	66	58	80	91
bp Difference - Median	+8	-132	-88	-86	-30	+6	-17	-8	-49	-63

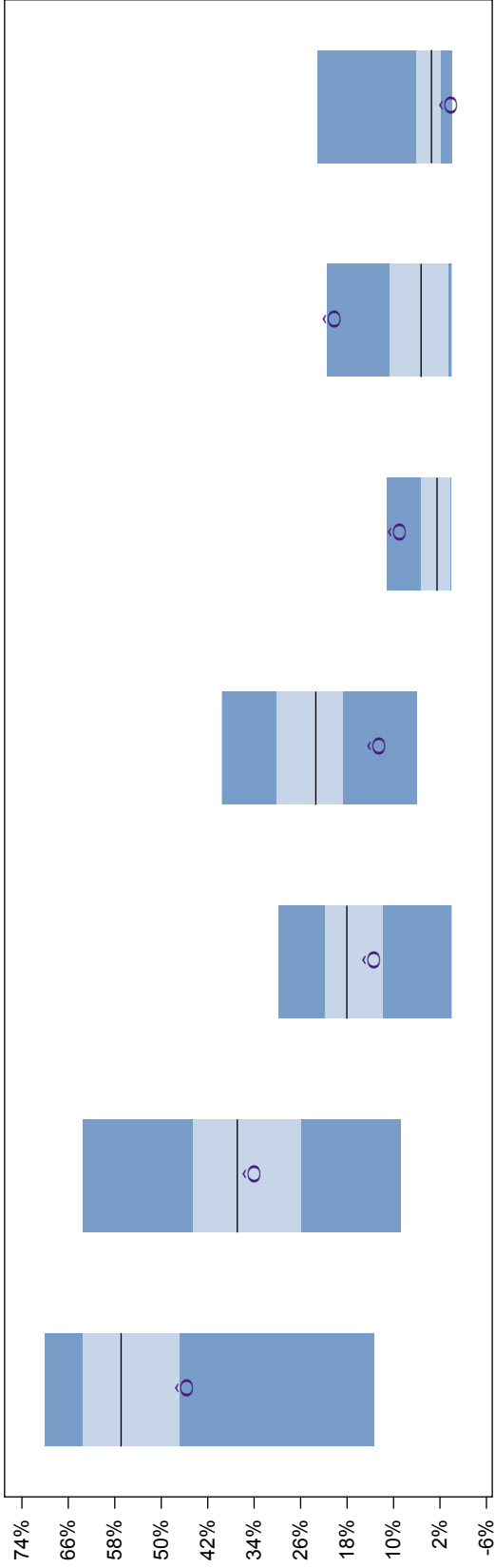
Consecutive For Years Ending

	6/11	6/10	6/09	6/08	6/07	6/06	6/05	6/04	6/03	6/02
MSPRS	21.78	10.43	-19.47	-3.89	19.45	12.60	8.32	16.18	0.90	-7.63
Public Plan - Median (> \$1 billion)*	21.70	13.48	-19.28	-3.97	17.75	10.95	9.72	15.71	4.21	-5.54
Rank	49	81	55	48	14	10	90	42	97	81
bp Difference - Median	+8	-305	-19	+8	+170	+165	-140	+47	-331	-209

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

MSPRS TOTAL PLAN UNIVERSE REPORT

Public Funds (DB) > \$1 Billion (SSE) - Allocation
 Period Ending June 30, 2011



	Equities %	Equities Domestic %	Equities Foreign %	Fixed Income %	Real Estate %	Private Equity %	Cash Equiv %
5th Percentile	69.98	63.59	29.70	39.53	11.13	21.54	23.12
25th Percentile	63.56	44.64	21.80	30.23	5.26	10.75	6.18
50th Percentile	56.92	36.92	18.04	23.39	2.51	5.27	3.48
75th Percentile	46.71	25.86	11.73	18.61	0.12	0.44	1.84
95th Percentile	13.31	8.82	0.00	5.98	0.00	0.00	0.03
No. of Obs	57	57	57	57	57	57	57
1 TOTAL POLICE	46.50	34.88	14.28	39.53	9.84	21.10	1.04

MJRS

Time-Weighted Rates of Return Public Plan Universe Comparison* Periods Ending June 30, 2011

	<u>Quarter</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
MJRS	1.75	22.13	2.27	4.17	4.91 %
Rank	27	45	85	77	94
bp Difference - Median	47	43	-130	-58	-80
5th Percentile	2.48	25.15	7.11	6.05	6.91 %
25th Percentile	1.76	23.04	4.85	5.13	6.12 %
Median	1.28	21.70	3.57	4.75	5.71 %
75th Percentile	1.00	20.38	3.08	4.22	5.20 %
95th Percentile	0.50	18.13	0.31	3.14	4.49 %

Five-Year Smoothing

	<u>2002-2007</u>	<u>2003-2008</u>	<u>2004-2009</u>	<u>2005-2010</u>	<u>2006-2011</u>
MJRS	10.94 %	9.80 %	2.40 %	2.39 %	4.17 %
Median	11.48 %	9.87 %	2.18 %	2.68 %	4.69 %

Return vs. Risk

	<i>ANNUALIZED RETURNS</i>		<i>STD. DEVIATIONS</i>	
	<u>Value</u>	<u>Rank</u>	<u>Value</u>	<u>Rank</u>
	<u>Five Years</u>		<u>Five Years</u>	
MJRS	4.17 %	77	11.63 %	13
Median	4.75 %		13.05 %	
	<u>Ten Years</u>		<u>Ten Years</u>	
MJRS	4.91 %	94	10.19 %	8
Median	5.71 %		11.80 %	

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

MJRS
Cumulative and Consecutive
Total Fund Returns

Cumulative For Years Ending 6/30/2011

	1 Year	2 Year	3 Year	4 Year	5 Year	6 Year	7 Year	8 Year	9 Year	10 Year
MJRS	22.13	14.85	2.27	0.77	4.17	5.44	5.81	6.92	6.30	4.91
Public Plan - Median (> \$1 billion)*	21.70	17.29	3.57	1.87	4.75	5.71	6.30	7.42	7.09	5.71
Rank	45	88	85	83	77	65	79	76	89	94
bp Difference - Median	+43	-244	-130	-110	-58	-27	-49	-50	-79	-80

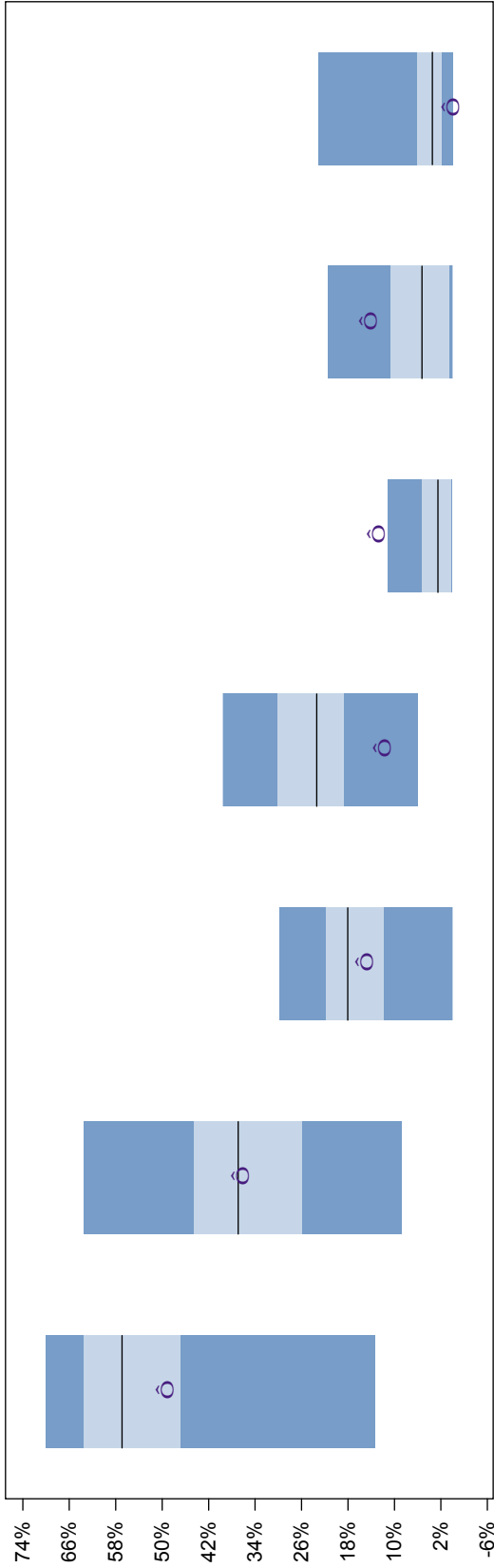
Consecutive For Years Ending

	6/11	6/10	6/09	6/08	6/07	6/06	6/05	6/04	6/03	6/02
MJRS	22.13	8.01	-18.91	-3.59	18.95	12.03	8.07	14.96	1.50	-6.68
Public Plan - Median (> \$1 billion)*	21.70	13.48	-19.28	-3.97	17.75	10.95	9.72	15.71	4.21	-5.54
Rank	45	98	43	45	23	24	94	69	92	71
bp Difference - Median	+43	-547	+37	+38	+120	+108	-165	-75	-271	-114

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

MJRS TOTAL PLAN UNIVERSE REPORT

Public Funds (DB) > \$1 Billion (SSE) - Allocation
 Period Ending June 30, 2011



	Equities %	Equities Domestic %	Equities Foreign %	Fixed Income %	Real Estate %	Private Equity %	Cash Equiv %
5th Percentile	69.98	63.59	29.70	39.53	11.13	21.54	23.12
25th Percentile	63.56	44.64	21.80	30.23	5.26	10.75	6.18
50th Percentile	56.92	36.92	18.04	23.39	2.51	5.27	3.48
75th Percentile	46.71	25.86	11.73	18.61	0.12	0.44	1.84
95th Percentile	13.31	8.82	0.00	5.98	0.00	0.00	0.03
No. of Obs	57	57	57	57	57	57	57
1 TOTAL JUDGES	49.97	37.03	15.63	12.59	13.63	14.97	0.82
	67	50	59	92	2	15	88

MPSEERS

Quarterly Comparisons*

Time-Weighted Rates of Return

Time Period	Rate	Rank	Median	bp Difference
2011 2 Qtr.	1.98 %	16	1.28 %	+70 bp
1 Qtr.	4.89 %	14	4.15 %	+74 bp
2010 Year	12.68 %	65	12.96 %	-28 bp
4 Qtr.	6.21 %	41	5.96 %	+25 bp
3 Qtr.	7.15 %	90	8.46 %	-131 bp
2 Qtr.	-4.32 %	42	-4.74 %	+42 bp
1 Qtr.	3.48 %	46	3.45 %	+3 bp
2009 Year	12.09 %	82	18.19 %	-610 bp
4 Qtr.	2.58 %	93	3.44 %	-86 bp
3 Qtr.	9.14 %	85	10.91 %	-177 bp
2 Qtr.	7.33 %	89	10.24 %	-291 bp
1 Qtr.	-6.72 %	61	-6.28 %	-44 bp
2008 Year	-24.27 %	27	-25.89 %	+162 bp
4 Qtr.	-14.12 %	58	-13.71 %	-41 bp
3 Qtr.	-6.16 %	4	-9.15 %	+299 bp
2 Qtr.	-0.93 %	79	-0.60 %	-33 bp
1 Qtr.	-5.16 %	47	-5.24 %	+8 bp
2007 Year	11.06 %	8	8.56 %	+250 bp
4 Qtr.	-0.53 %	42	-0.65 %	+12 bp
3 Qtr.	2.70 %	29	2.31 %	+39 bp
2 Qtr.	6.57 %	3	4.47 %	+210 bp
1 Qtr.	2.01 %	68	2.15 %	-14 bp
2006 Year	15.04 %	34	14.34 %	+70 bp
4 Qtr.	4.98 %	93	5.86 %	-88 bp
3 Qtr.	4.54 %	6	3.90 %	+64 bp
2 Qtr.	0.14 %	4	-0.60 %	+74 bp
1 Qtr.	4.67 %	53	4.74 %	-7 bp
2005 Year	9.92 %	19	7.74 %	+218 bp
4 Qtr.	2.96 %	18	2.56 %	+40 bp
3 Qtr.	4.25 %	36	4.15 %	+10 bp
2 Qtr.	2.33 %	39	2.29 %	+4 bp
1 Qtr.	0.07 %	8	-0.82 %	+89 bp
2004 Year	10.24 %	83	11.45 %	-121 bp
4 Qtr.	5.68 %	95	8.05 %	-237 bp
3 Qtr.	0.03 %	76	0.27 %	-24 bp
2 Qtr.	1.76 %	2	0.09 %	+167 bp
1 Qtr.	2.47 %	89	2.93 %	-46 bp
2003 Year	19.15 %	83	22.61 %	-346 bp
4 Qtr.	7.90 %	77	8.89 %	-99 bp
3 Qtr.	3.55 %	37	3.34 %	+21 bp
2 Qtr.	8.69 %	91	11.14 %	-245 bp
1 Qtr.	-1.89 %	50	-1.89 %	0 bp

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

MSERS

Quarterly Comparisons*

Time-Weighted Rates of Return

Time Period	Rate	Rank	Median	bp Difference
2011 2 Qtr.	1.95 %	17	1.28 %	+67 bp
1 Qtr.	4.86 %	14	4.15 %	+71 bp
2010 Year	12.55 %	74	12.96 %	-41 bp
4 Qtr.	6.21 %	40	5.96 %	+25 bp
3 Qtr.	9.09 %	86	10.91 %	-182 bp
2 Qtr.	-4.40 %	43	-4.74 %	+34 bp
1 Qtr.	3.40 %	54	3.45 %	-5 bp
2009 Year	11.88 %	83	18.19 %	-631 bp
4 Qtr.	2.42 %	96	3.44 %	-102 bp
3 Qtr.	9.09 %	86	10.91 %	-182 bp
2 Qtr.	7.38 %	89	10.24 %	-286 bp
1 Qtr.	-6.73 %	61	-6.28 %	-45 bp
2008 Year	-24.47 %	31	-25.89 %	+142 bp
4 Qtr.	-14.20 %	61	-13.71 %	-49 bp
3 Qtr.	-6.26 %	5	-9.15 %	+289 bp
2 Qtr.	-0.92 %	79	-0.60 %	-32 bp
1 Qtr.	-5.22 %	48	-5.24 %	+2 bp
2007 Year	11.01 %	9	8.56 %	+245 bp
4 Qtr.	-0.56 %	44	-0.65 %	+9 bp
3 Qtr.	2.66 %	31	2.31 %	+35 bp
2 Qtr.	6.55 %	5	4.47 %	+208 bp
1 Qtr.	2.05 %	62	2.15 %	-10 bp
2006 Year	15.02 %	34	14.34 %	+68 bp
4 Qtr.	4.98 %	92	5.86 %	-88 bp
3 Qtr.	4.49 %	8	3.90 %	+59 bp
2 Qtr.	0.15 %	4	-0.60 %	+75 bp
1 Qtr.	4.70 %	51	4.74 %	-4 bp
2005 Year	9.91 %	20	7.74 %	+217 bp
4 Qtr.	2.96 %	18	2.56 %	+40 bp
3 Qtr.	4.21 %	39	4.15 %	+6 bp
2 Qtr.	2.35 %	39	2.29 %	+6 bp
1 Qtr.	0.09 %	8	-0.82 %	+91 bp
2004 Year	10.17 %	84	11.45 %	-128 bp
4 Qtr.	5.69 %	95	8.05 %	-236 bp
3 Qtr.	0.03 %	77	0.27 %	-24 bp
2 Qtr.	1.72 %	3	0.09 %	+163 bp
1 Qtr.	2.45 %	92	2.93 %	-48 bp
2003 Year	19.04 %	84	22.61 %	-357 bp
4 Qtr.	7.79 %	79	8.89 %	-110 bp
3 Qtr.	3.49 %	39	3.34 %	+15 bp
2 Qtr.	8.70 %	91	11.14 %	-244 bp
1 Qtr.	-1.83 %	47	-1.89 %	+6 bp

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

MSPRS
 Quarterly Comparisons*
 Time-Weighted Rates of Return

Time Period	Rate	Rank	Median	bp Difference
2011 2 Qtr.	2.00 %	15	1.28 %	+72 bp
1 Qtr.	4.92 %	10	4.15 %	+77 bp
2010 Year	12.61 %	70	12.96 %	-35 bp
4 Qtr.	6.26 %	40	5.96 %	+30 bp
3 Qtr.	8.98 %	87	10.91 %	-193 bp
2 Qtr.	-4.30 %	40	-4.74 %	+44 bp
1 Qtr.	3.40 %	54	3.45 %	-5 bp
2009 Year	11.50 %	85	18.19 %	-669 bp
4 Qtr.	2.40 %	96	3.44 %	-104 bp
3 Qtr.	8.98 %	87	10.91 %	-193 bp
2 Qtr.	7.15 %	91	10.24 %	-309 bp
1 Qtr.	-6.75 %	62	-6.28 %	-47 bp
2008 Year	-24.24 %	27	-25.89 %	+165 bp
4 Qtr.	-14.14 %	59	-13.71 %	-43 bp
3 Qtr.	-6.14 %	4	-9.15 %	+301 bp
2 Qtr.	-0.91 %	78	-0.60 %	-31 bp
1 Qtr.	-5.13 %	44	-5.24 %	+11 bp
2007 Year	11.22 %	6	8.56 %	+266 bp
4 Qtr.	-0.49 %	38	-0.65 %	+16 bp
3 Qtr.	2.70 %	30	2.31 %	+39 bp
2 Qtr.	6.65 %	2	4.47 %	+218 bp
1 Qtr.	2.05 %	62	2.15 %	-10 bp
2006 Year	15.1 %	25	14.34 %	+76 bp
4 Qtr.	4.99 %	92	5.86 %	-87 bp
3 Qtr.	4.53 %	7	3.90 %	+63 bp
2 Qtr.	0.17 %	4	-0.60 %	+77 bp
1 Qtr.	4.70 %	51	4.74 %	-4 bp
2005 Year	9.98 %	17	7.74 %	+224 bp
4 Qtr.	2.97 %	18	2.56 %	+41 bp
3 Qtr.	4.26 %	36	4.15 %	+11 bp
2 Qtr.	2.34 %	39	2.29 %	+5 bp
1 Qtr.	0.10 %	8	-0.82 %	+92 bp
2004 Year	10.18 %	84	11.45 %	-127 bp
4 Qtr.	5.69 %	95	8.05 %	-236 bp
3 Qtr.	0.05 %	75	0.27 %	-22 bp
2 Qtr.	1.70 %	3	0.09 %	+161 bp
1 Qtr.	2.45 %	92	2.93 %	-48 bp
2003 Year	18.97 %	85	22.61 %	-364 bp
4 Qtr.	7.76 %	79	8.89 %	-113 bp
3 Qtr.	3.48 %	39	3.34 %	+14 bp
2 Qtr.	8.73 %	91	11.14 %	-241 bp
1 Qtr.	-1.88 %	50	-1.89 %	+1 bp

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

MJRS
Quarterly Comparisons*
Time-Weighted Rates of Return

<u>Time Period</u>	<u>Rate</u>	<u>Rank</u>	<u>Median</u>	<u>bp Difference</u>
2011 2 Qtr.	1.75 %	27	1.28 %	+47 bp
1 Qtr.	4.81 %	16	4.15 %	+66 bp
2010 Year	12.24 %	82	12.96 %	-72 bp
4 Qtr.	6.43 %	36	5.96 %	+47 bp
3 Qtr.	8.58 %	90	10.91 %	-233 bp
2 Qtr.	-4.86 %	59	-4.74 %	-12 bp
1 Qtr.	3.00 %	72	3.45 %	-45 bp
2009 Year	9.89 %	89	18.19 %	-830 bp
4 Qtr.	1.51 %	97	3.44 %	-193 bp
3 Qtr.	8.58 %	90	10.91 %	-233 bp
2 Qtr.	7.17 %	91	10.24 %	-307 bp
1 Qtr.	-6.94 %	64	-6.28 %	-66 bp
2008 Year	-23.28 %	18	-25.89 %	+261 bp
4 Qtr.	-13.51 %	46	-13.71 %	+20 bp
3 Qtr.	-5.96 %	2	-9.15 %	+319 bp
2 Qtr.	-0.85 %	71	-0.60 %	-25 bp
1 Qtr.	-4.86 %	36	-5.24 %	+38 bp
2007 Year	11.02 %	9	8.56 %	+246 bp
4 Qtr.	-0.44 %	37	-0.65 %	+21 bp
3 Qtr.	2.62 %	34	2.31 %	+31 bp
2 Qtr.	6.36 %	5	4.47 %	+189 bp
1 Qtr.	2.17 %	49	2.15 %	+2 bp
2006 Year	14.8 %	38	14.34 %	+46 bp
4 Qtr.	4.89 %	94	5.86 %	-97 bp
3 Qtr.	4.37 %	13	3.90 %	+47 bp
2 Qtr.	0.16 %	4	-0.60 %	+76 bp
1 Qtr.	4.71 %	51	4.74 %	-3 bp
2005 Year	9.31 %	21	7.74 %	+157 bp
4 Qtr.	2.82 %	22	2.56 %	+26 bp
3 Qtr.	3.89 %	66	4.15 %	-26 bp
2 Qtr.	2.31 %	45	2.29 %	+2 bp
1 Qtr.	0.01 %	10	-0.82 %	+83 bp
2004 Year	9.57 %	88	11.45 %	-188 bp
4 Qtr.	5.58 %	96	8.05 %	-247 bp
3 Qtr.	0.03 %	77	0.27 %	-24 bp
2 Qtr.	1.46 %	4	0.09 %	+137 bp
1 Qtr.	2.25 %	93	2.93 %	-68 bp
2003 Year	18.39 %	90	22.61 %	-422 bp
4 Qtr.	7.37 %	85	8.89 %	-152 bp
3 Qtr.	3.21 %	54	3.34 %	-13 bp
2 Qtr.	8.62 %	94	11.14 %	-252 bp
1 Qtr.	-1.64 %	43	-1.89 %	+25 bp

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

Annual Total Returns of Key Asset Classes 1992 - 2010

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Small Value Stocks	29.15%	32.57%	7.78%	38.13%	23.97%	36.52%	42.16%	43.09%	22.83%	14.02%	10.26%	48.54%	22.25%	13.54%	26.34%	11.17%	5.24%	34.47%	29.09%
Small Growth Stocks	18.42%	23.86%	3.90%	37.58%	22.96%	33.36%	28.58%	28.25%	11.63%	8.44%	1.65%	47.25%	20.25%	6.33%	23.48%	9.13%	2.11%	31.78%	26.05%
Large Value Stocks	10.52%	18.89%	3.14%	36.99%	22.00%	31.78%	20.00%	26.96%	6.08%	3.83%	-11.42%	46.03%	18.33%	4.91%	20.80%	7.05%	-28.92%	31.57%	24.50%
Small Value Stocks	7.77%	18.61%	1.32%	31.04%	21.37%	29.98%	14.69%	21.26%	5.89%	2.49%	-15.66%	38.59%	15.71%	4.71%	18.37%	6.97%	-33.79%	27.17%	15.10%
Large Value Stocks	7.62%	13.37%	-0.64%	28.44%	16.53%	22.36%	8.70%	21.04%	-3.02%	-9.23%	-19.99%	31.78%	14.31%	4.55%	15.80%	5.49%	-34.92%	26.47%	15.06%
U.S. Bonds	7.40%	10.08%	-1.55%	25.75%	11.32%	12.93%	4.86%	12.72%	-9.11%	-11.69%	-20.48%	28.68%	10.88%	4.15%	13.35%	4.74%	-37.00%	21.17%	15.05%
Large Growth Stocks	5.06%	9.75%	-1.81%	18.46%	6.05%	9.64%	1.23%	4.68%	Foreign Stocks	Foreign Stocks	Large Stocks	Large Stocks	Large Stocks	Large Stocks	Large Stocks	Large Stocks	Small Stocks	Small Stocks	Small Stocks
Cash	3.51%	2.90%	-2.44%	11.21%	5.21%	5.26%	-2.55%	-0.82%	-22.08%	-12.75%	-22.77%	4.10%	4.34%	2.98%	4.75%	-1.57%	-39.22%	5.93%	6.54%
Foreign Stocks	-12.18%	1.68%	-2.92%	5.60%	3.64%	1.78%	-6.46%	-1.48%	-22.43%	-21.45%	-30.26%	1.02%	1.20%	2.43%	4.33%	-9.78%	-43.42%	0.09%	0.02%

- Large Stocks are represented by the S&P 500
- Large Growth Stocks are represented by S&P 500 Growth Index
- Large Value Stocks are represented by the S&P 500 Value Index
- Foreign Stocks are represented by the MSCI EAFE Index
- Cash is represented by 30-day T-Bills

- Small Stocks are represented by the Russell 2000 Index
- Small Growth Stocks are represented by the Russell 2000 Growth Index
- Small Value Stocks are represented by the Russell 2000 Value Index
- U.S. Bonds are represented by the Barclays Capital Aggregate Bond Index

**STATE OF MICHIGAN
RETIREMENT SYSTEMS**

ASSET ALLOCATION REVIEW

INVESTMENT ADVISORY COMMITTEE MEETING

SEPTEMBER 1, 2011



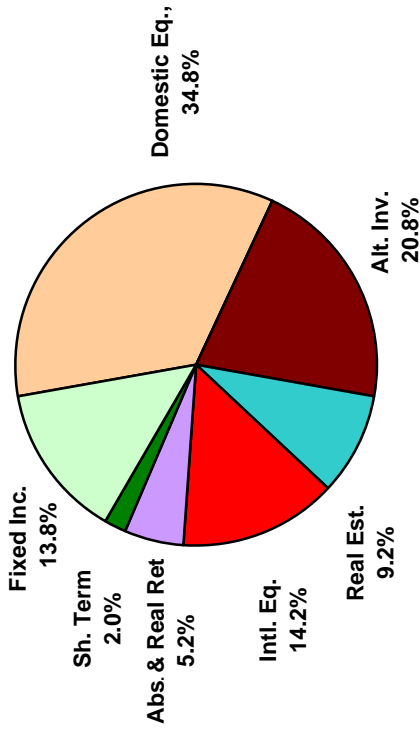
**Jon M. Braeutigam
Chief Investment Officer
Bureau of Investments**



STATE OF MICHIGAN RETIREMENT SYSTEMS PROFILE - JUNE 2011

Asset Allocation

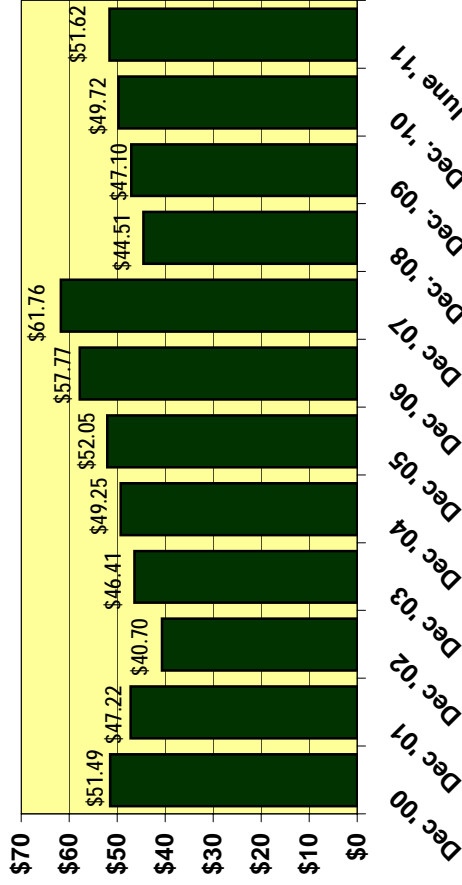
6/30/11



Market Value*

12/00 - 6/11

(Billions of Dollars)



Asset Allocation By Market Value

(In Millions)

Investment Strategies	6/30/2011	3/31/2011
Domestic Equity	\$17,971	\$18,049
Alternative Investments	10,735	10,553
International Equity	7,326	7,265
Fixed Income	7,123	7,453
Real Estate	4,765	4,474
Absolute & Real Return	2,670	2,586
Short Term**	1,031	985
TOTAL	\$51,621	\$51,365

Short Term Equivalents

Short Term Strategy**	\$1.0
Short Term in Other Inv. Strategies	0.9
TOTAL SHORT TERM	\$1.9
	3.7% of Total Funds

Market Value By Plan

6/30/2011

	Market Value (In Millions)	%
Public School Employees	\$40,510	78.4%
State Employees	9,760	19.0%
State Police	1,096	2.1%
Judges	255	0.5%
TOTAL	\$51,621	100.0%



18th Largest DB Public Pension Fund in the U.S.
21st Largest DB Pension Fund in the U.S.



Pensions & Investments Survey - February 7, 2011

*The retirement systems annually pay out approximately \$2.6 billion to beneficiaries in excess of contributions (FY2010).

Asset Deployment

April – May – June ~ 2011

Beginning Cash:
\$1.87 Billion

Active Equity
+\$13 mil

Net sales of \$13 million in large-cap growth, value, growth dividend and core.

Passive Equity
-\$26 mil

Net cash outflows of \$26 million in S&P 500.

International
+\$71 mil

Net sales of \$137 million in international equity swaps and net outflow of \$66 million to external managers.

Alternative Invest.
+\$364 mil

Distributions exceeded draw-downs by \$364 million.

Real Estate
-\$220 mil

Draw-downs exceeded the distributions by \$220 million.

Fixed Income
+\$411 mil

Sales, calls and maturities exceeded purchases by \$486 million. Net outflows of \$75 million to external managers.

STARR
-\$114 mil

Net purchases of \$114 million in absolute return strategies and short-term fixed income.

Invest. Income
+\$241 mil
Net Benefit
Payments
-\$724 mil
-\$483 mil

Net purchase of \$1 million in the Global Dividend Strategy.

Ending Cash:
\$1.89 Billion

Asset Allocation Targets

Asset Class	MPERS			MSERS			MSPRS			MJRS		
	Actual 6/30/11	Target 9/30/11	Target* 9/30/12	Actual 6/30/11	Target 9/30/11	Target* 9/30/12	Actual 6/30/11	Target 9/30/11	Target* 9/30/12	Actual 6/30/11	Target 9/30/11	Target* 9/30/12
Broad US Equity	34.8%	34.3%	33.0%	35.2%	34.2%	33.0%	34.9%	34.0%	33.0%	37.1%	34.2%	31.0%
Broad Int'l Equity	14.1%	14.8%	16.0%	14.6%	14.9%	16.0%	14.3%	14.7%	16.0%	15.6%	14.8%	15.0%
US Fixed Income Core	13.8%	16.3%	16.0%	13.7%	16.1%	16.0%	13.4%	16.0%	16.0%	12.6%	17.5%	20.0%
Real Estate Core	9.1%	8.7%	9.0%	9.8%	9.0%	9.0%	9.8%	9.0%	9.0%	13.6%	11.4%	10.0%
Alternative Invest.	20.9%	17.4%	14.0%	20.3%	16.9%	14.0%	21.1%	17.2%	14.0%	15.0%	13.7%	12.0%
Absolute Return	2.4%	4.2%	6.0%	2.5%	4.2%	6.0%	2.5%	4.2%	6.0%	2.5%	4.1%	6.0%
Real Return / Opportunistic	2.7%	2.7%	4.0%	2.8%	2.8%	4.0%	3.0%	2.8%	4.0%	2.8%	2.8%	4.0%
Cash	2.2%	1.6%	2.0%	1.1%	1.9%	2.0%	1.0%	2.1%	2.0%	0.8%	1.5%	2.0%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Expected Return			8.1%			8.1%			8.1%			7.9%
Expected Risk (1 yr.)			12.7%			12.7%			12.7%			11.8%
*Complies with basket clause and international restrictions.												

Asset Allocation Targets and Ranges

Asset Class	MPSERS		MSERS		MSPRS		MJRS	
	Targets	Ranges*	Targets	Ranges*	Targets	Ranges*	Targets	Ranges*
Broad US Equity	33%	20% - 50%	33%	20% - 50%	33%	20% - 50%	31%	20% - 50%
Broad Int'l Equity	16%	10% - 20%	16%	10% - 20%	16%	10% - 20%	15%	10% - 20%
US Fixed Income Core	16%	10% - 25%	16%	10% - 25%	16%	10% - 25%	20%	10% - 30%
Real Estate Core	9%	5% - 15%	9%	5% - 15%	9%	5% - 15%	10%	5% - 15%
Alternative Invest.	14%	10% - 20%	14%	10% - 20%	14%	10% - 20%	12%	8% - 18%
Absolute Return	6%	0% - 12%	6%	0% - 12%	6%	0% - 12%	6%	0% - 12%
Real Return	4%	0% - 8%	4%	0% - 8%	4%	0% - 8%	4%	0% - 8%
Cash	2%	1% - 7%	2%	1% - 7%	2%	1% - 7%	2%	1% - 7%
TOTAL	100.0%		100.0%		100.0%		100.0%	
*Complies with basket clause and international restrictions.								

**STATE OF MICHIGAN
RETIREMENT SYSTEMS**

CAPITAL MARKETS OVERVIEW

INVESTMENT ADVISORY COMMITTEE MEETING

SEPTEMBER 1, 2011

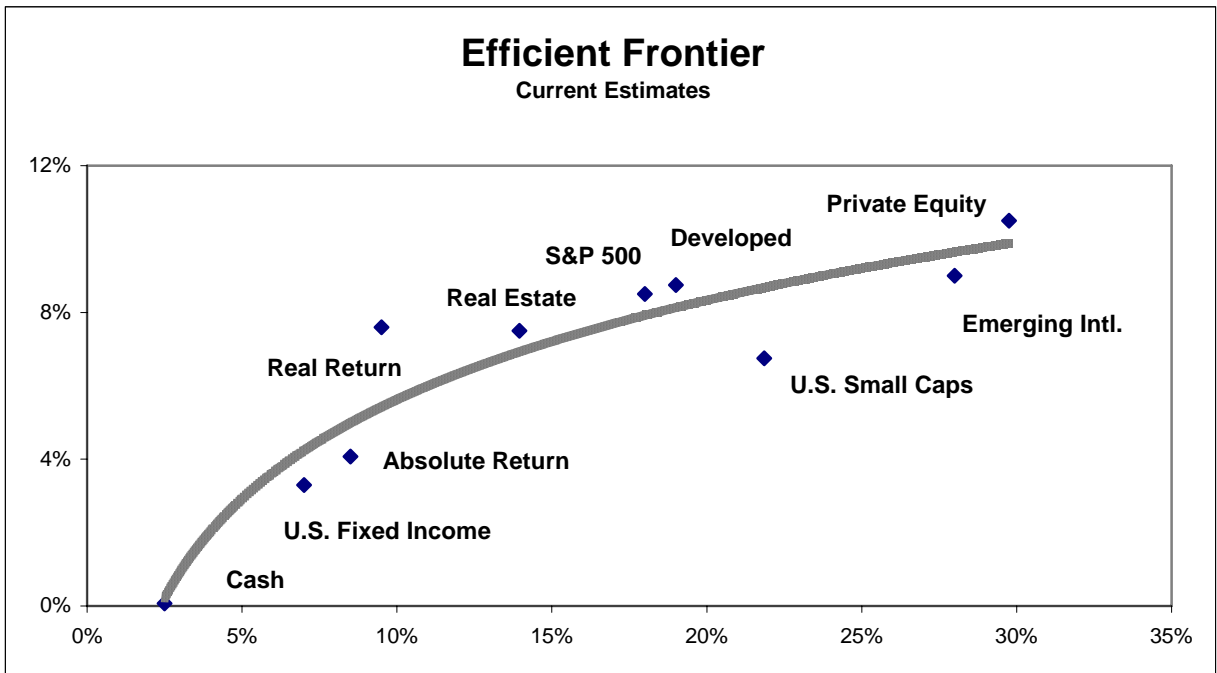
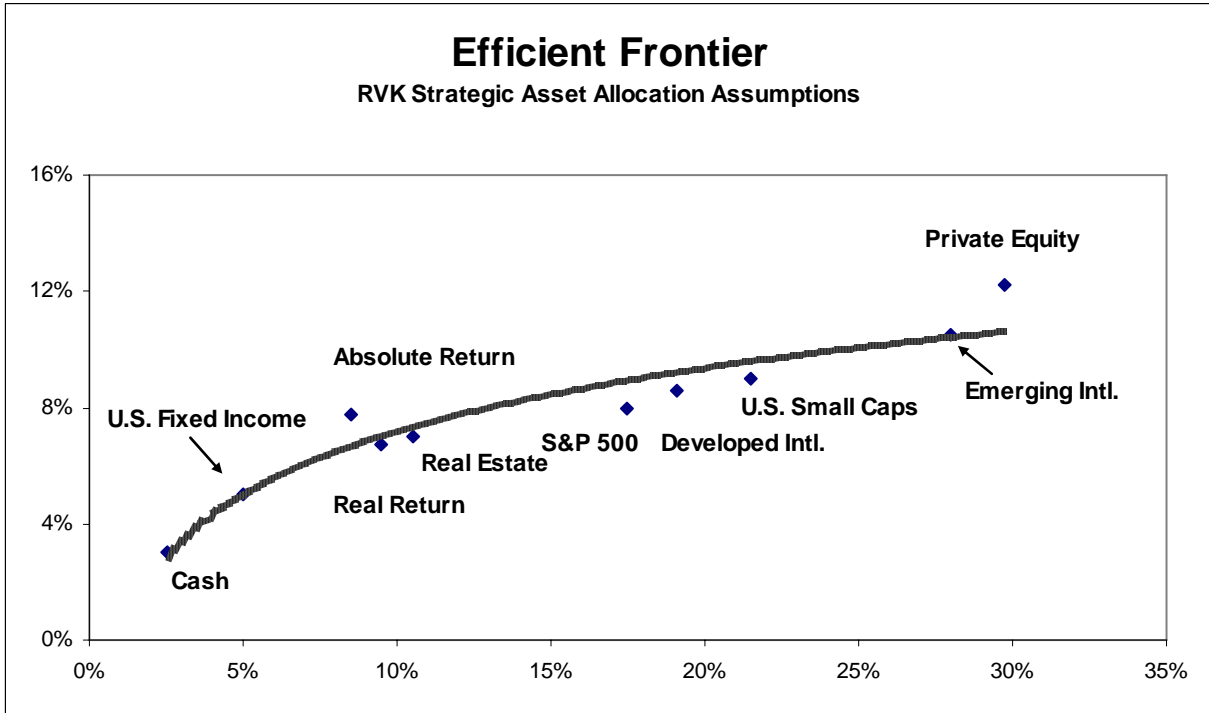


**Gregory J. Parker, CFA
Deputy Chief Investment Officer
Bureau of Investments**

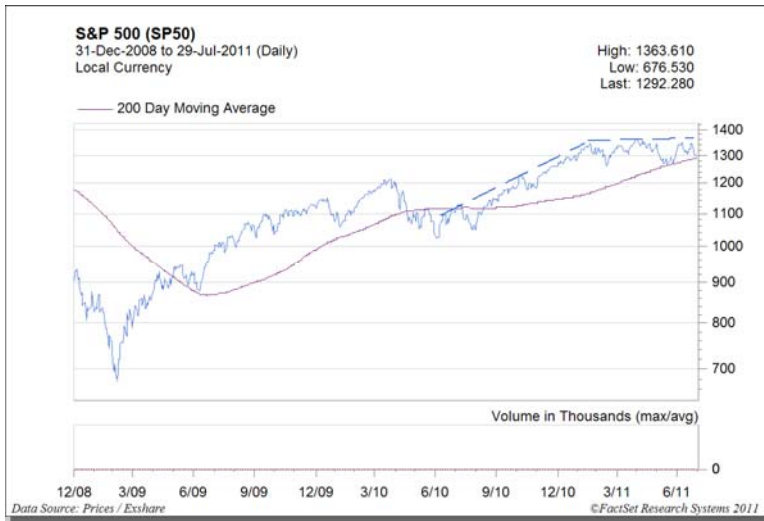
CAPITAL MARKETS OVERVIEW

- Most asset classes are priced to return “Normal” rates of returns
- Unemployment remains stubbornly high at 9.1%
- The effects of global stimulus are wearing off
 - Transition to a self-sustaining recovery
 - QE2 ended in June
- World events
 - Japan earthquake
 - Middle East unrest
 - U.S. flooding
 - European credit crisis
 - U.S. debt ceiling debates
 - S&P down grades U.S. debt
- GDP growth estimates contracting
 - June quarter measured 1.3% annualized
 - March quarter reduced down from 1.9% to 0.4% annualized

Capital Markets Line

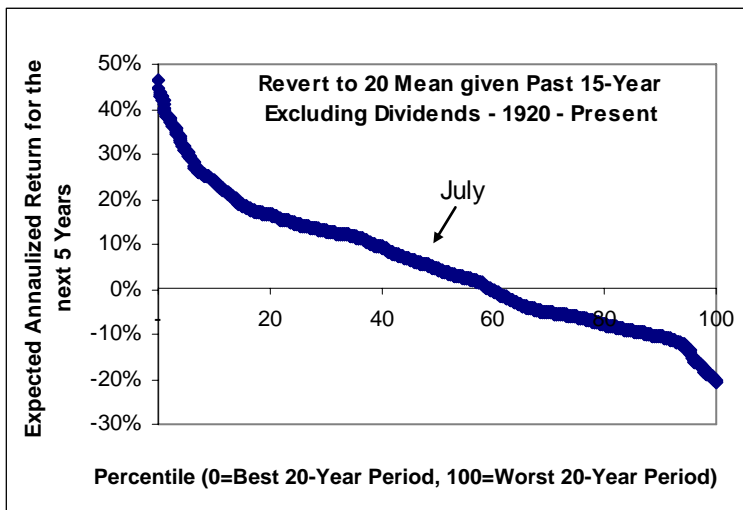


Domestic Equities



- We stated in June, the technical backdrop is notably weaker indicating the potential for weaker returns.
- At the end of July, the S&P 500 was priced near the 200-day moving average.

Returns Based Outlook



- Since 1920, the median 20-year price return for the S&P 500 is 173.8% or 5.2% annualized.
- The S&P 500 has increased by 105.8% over the past 15 years.
- Using the 20-year median price return as a projection, there is a 50% chance that the annualized price return for the S&P 500 will be 5.9% over the next 5 years.

Earnings Based Outlook

Scenario	Price Return Estimate	Total Return Estimate
Super Bull	21.6%	25.3%
Bull	10.6%	14.9%
Base	3.1%	6.9%
Bear	-7.4%	-4.6%
Super Bear	-15.2%	-12.7%

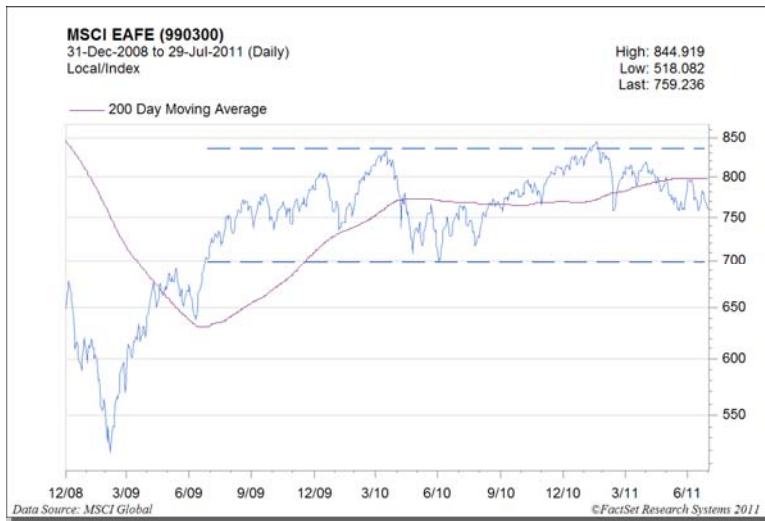
Assumptions

	2016 Earnings	2016 P/E Ratio	Dividend Payout
High	\$141.22	25.0	62%
Mid	\$99.73	15.5	54%
Low	\$58.25	10.0	42%

Based on Robert Shiller data

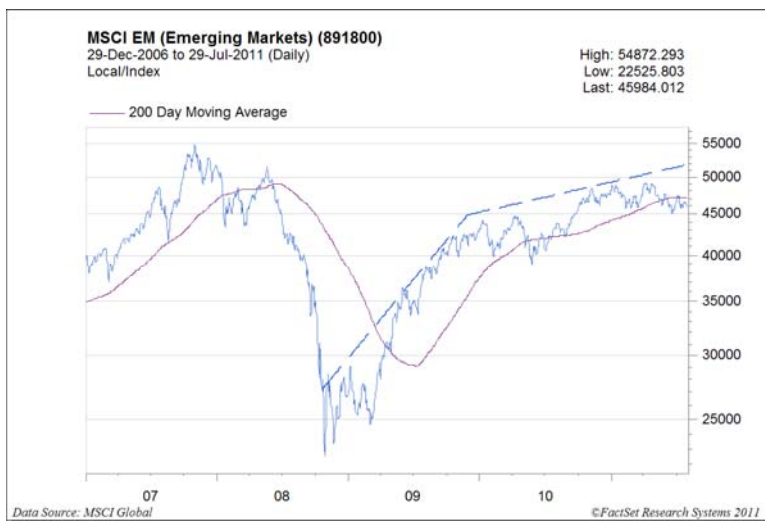
International Equities

Developed Markets



- The developed international equity markets represented by the MSCI EAFE Index are above their 2009 lows.
- MSCI EAFE is now below its 200-day moving average, with still no real trend in place.
- MSCI EAFE has been in a tight trading range since mid 2009.

Emerging Markets



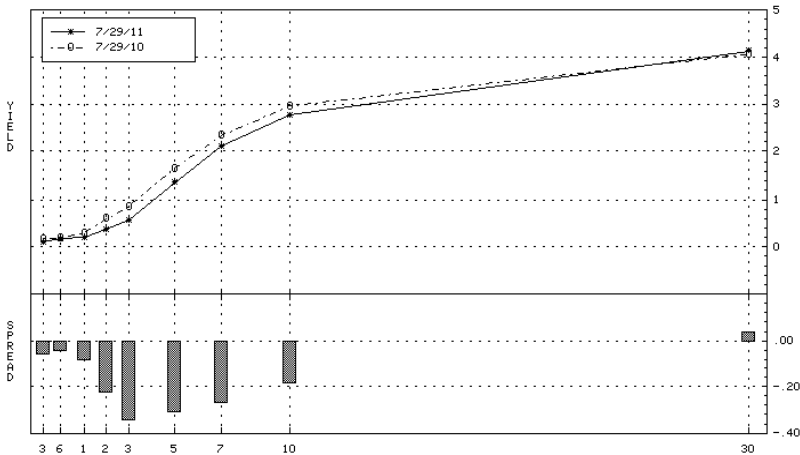
- The “V-shaped” recovery in emerging markets began in 2008. However, the rate of appreciation has slowed since late 2009.
- The price broke through recent resistance levels and it is now below the 200-day moving average.
- Emerging Markets are vulnerable to further weakness should risk be re-priced.

Count of Markets Priced Below a 200-Day Moving Average

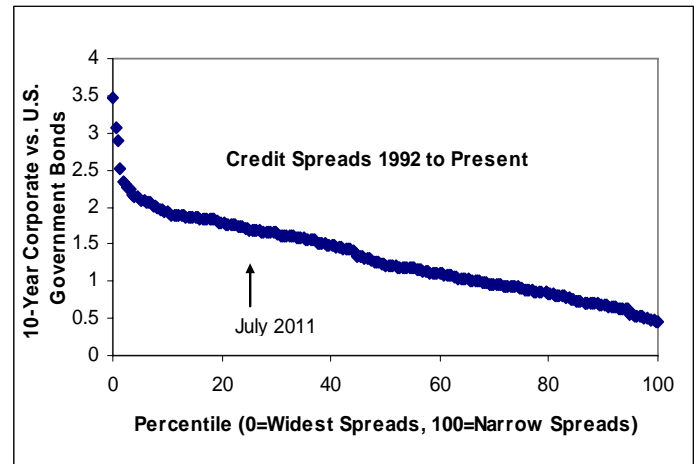
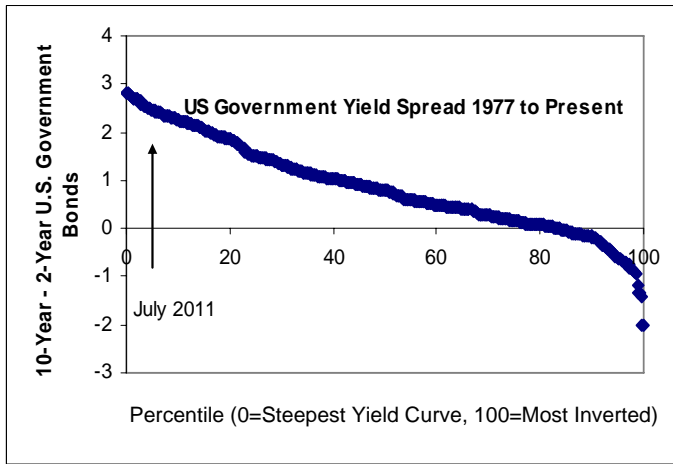
	<u>Developed</u>	<u>Emerging</u>
July 31, 2011	20	13
December 31, 2010	5	2
December 31, 2009	1	1

Prices above/below a 200-day moving average is a proxy for the near term direction of the stock market.

U.S. Cash and Fixed Income

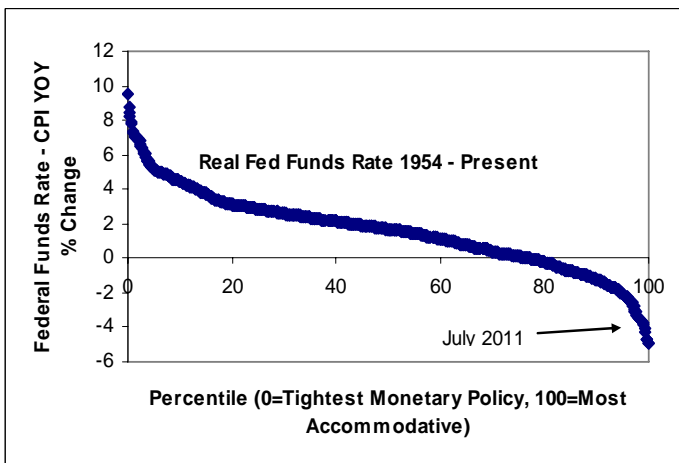


- Over the past year, rates have slightly decreased across the curve.
- Rates at the short end are still very low.



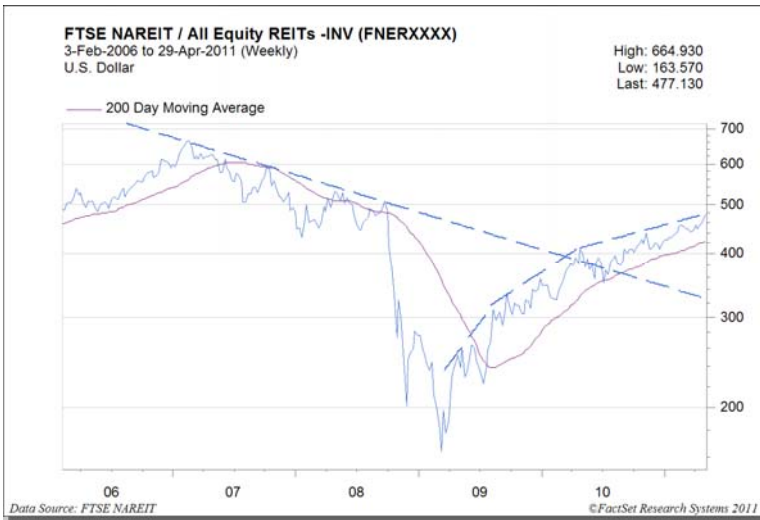
- The yield curve is near record steepness.
- Some flattening as equities sell off.

- Credit spreads have come in but are still elevated.
- Credit spreads must come in ~ 0.48% to get to median levels.



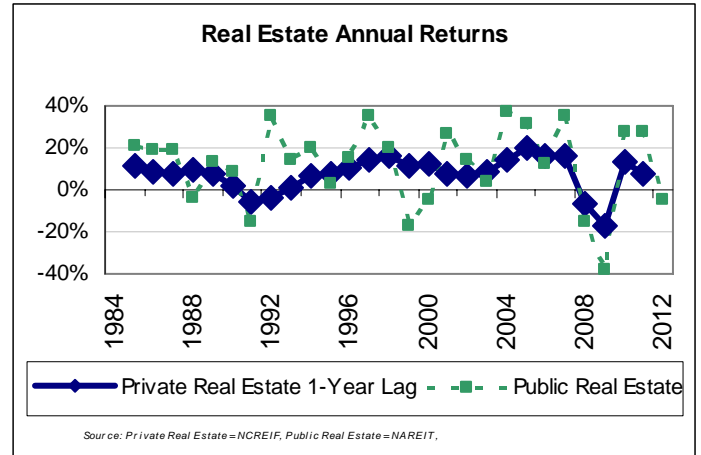
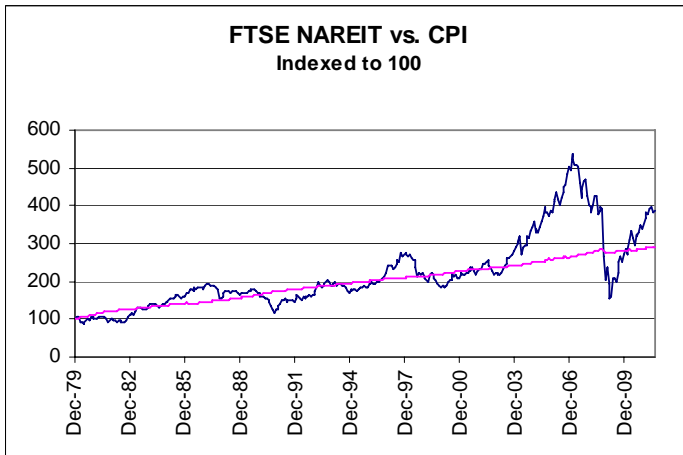
- The Fed has adopted an extremely accommodative stance.

U. S. Real Estate



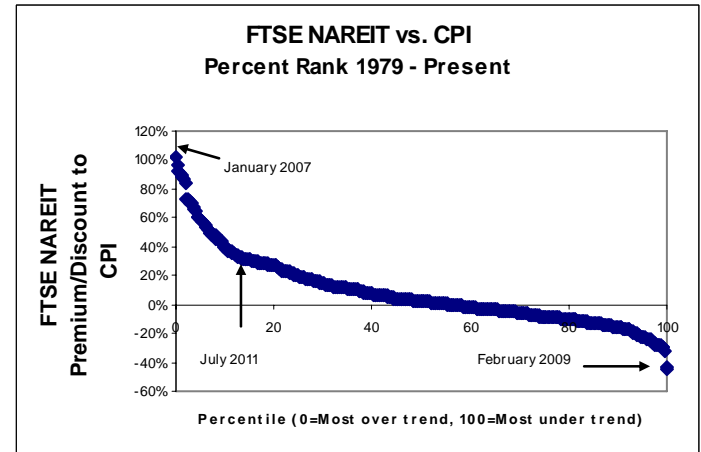
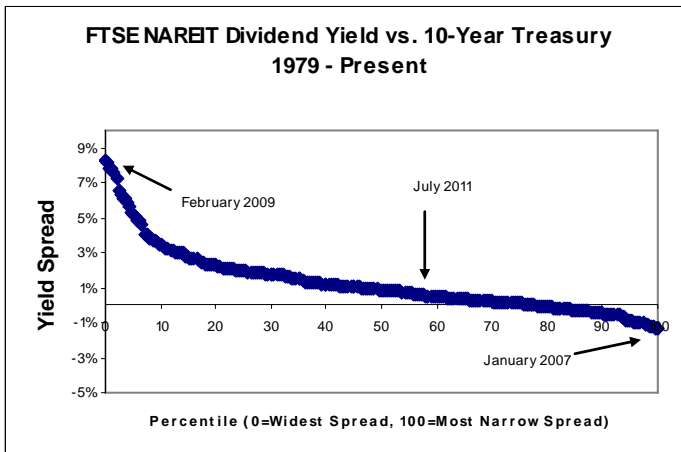
- Commercial real estate represented by the FTSE NAREIT Index has rebounded strongly since the first quarter of 2009 and has been trending up.
- Though the trend remains positive, the rate of acceleration continued to be moderate throughout 2010.
- The index remains priced above its 200-day moving average. This suggests continued gains in the short-term.
- Great resiliency to equity market weaknesses.

Return Outlook



- REITs prices have trended around CPI.

- Private real estate returns historically have followed public real estate (REIT) returns.
- Using the public REIT market as a guide, private real estate returns could return 10% + over the next few years.



- The Index normally yields 1% more than 10-Year Treasuries.
- Current dividend yield is at 3.2%.
- When compared against the 10-year Treasury, REITs are reasonably priced.

- REITs have priced lower ~ 11.5% of the time.
- REITs are expensive when compared to the CPI.

Commodities

CRB Index



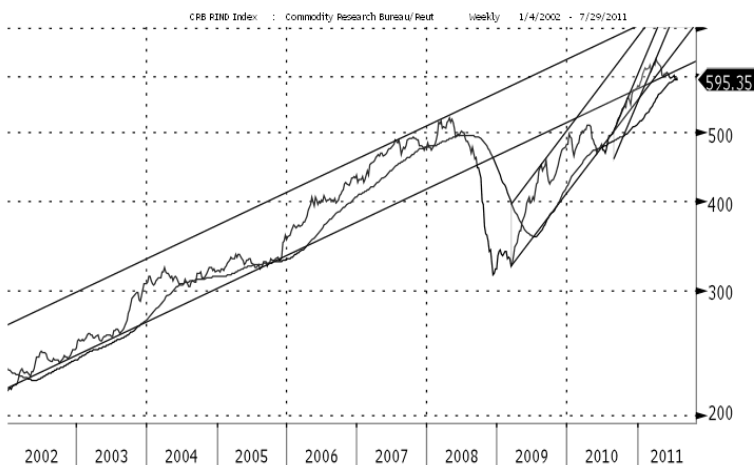
- Commodity prices, as measured by the ThompsonReuters / Jeffries CRB Index, have resumed the same trajectory as the early part of the decade.

CRB Food Index



- CRB Food index remains elevated
- Index price break-out in late 2010
- Price increase trend has moderated

CRB Raw Industrials Index



- CRB Raw Industrials index resumes long-term trend.
- Price increase trend is decelerating

**STATE OF MICHIGAN
RETIREMENT SYSTEMS**

**ECONOMIC AND MARKET REVIEW
AND OUTLOOK**

INVESTMENT ADVISORY COMMITTEE MEETING

SEPTEMBER 1, 2011



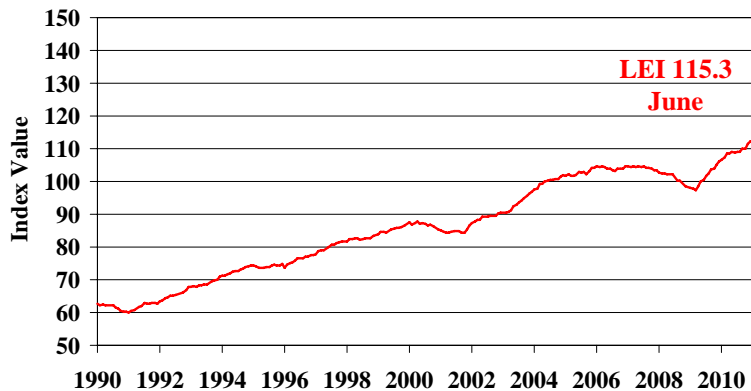
**Gregory J. Parker, CFA
Deputy Chief Investment Officer
Bureau of Investments**

Economic Outlook Summary

- A reduction in government spending will be a drag on economic growth at the local, state and federal levels.
- Consumers are still faced with weak labor markets and tighter credit.
- Households continue to deleverage, with inflation fears boosted by higher energy and food prices and no real gain in personal incomes.

IAC 9-1-11

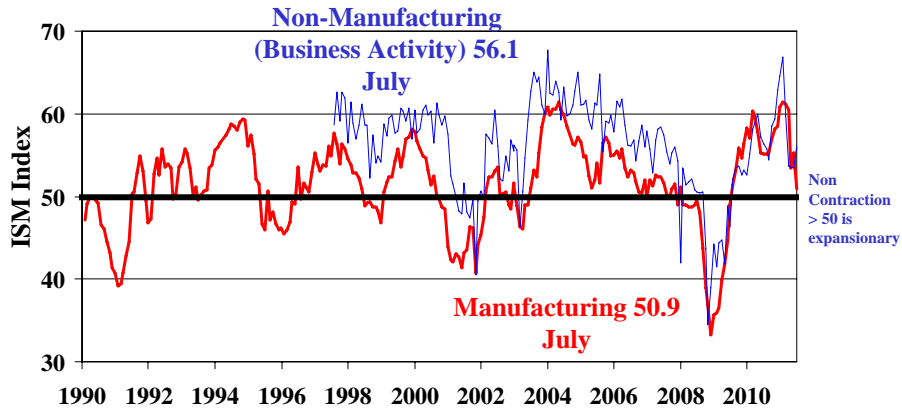
U.S. Leading Economic Indicators Slow Road To Recovery



Source: Bloomberg

IAC 9-1-11

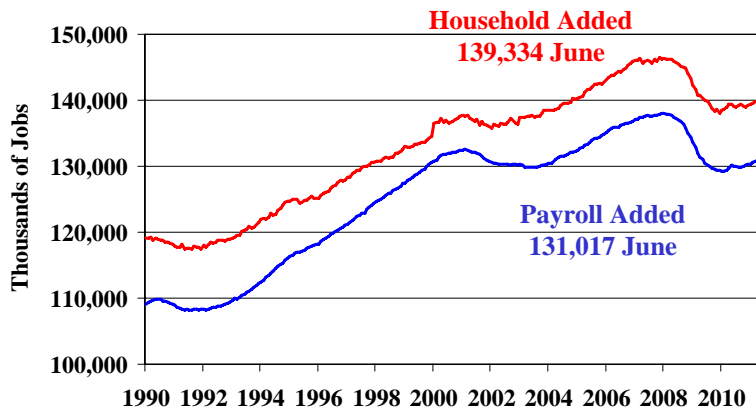
Manufacturing/Non-Manufacturing Barely In Expansion Mode



Source: Institute for Supply Management

IAC 9-1-11

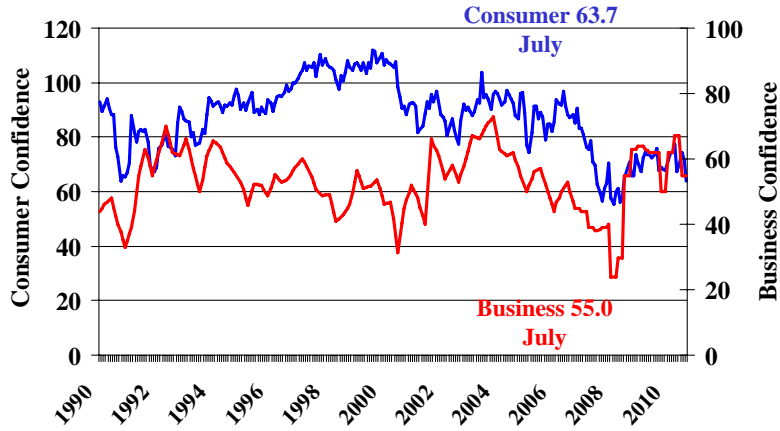
Job Market Growth Remains Tepid



Source: U.S. Department of Labor, Bureau of Labor Statistics

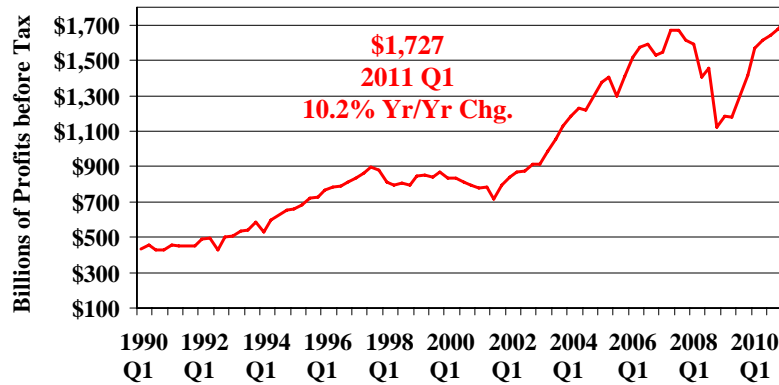
IAC 9-1-11

CEO & Consumer Confidence Cautious



Sources: University of Michigan, Survey Research Center and The Conference Board IAC 9-1-11

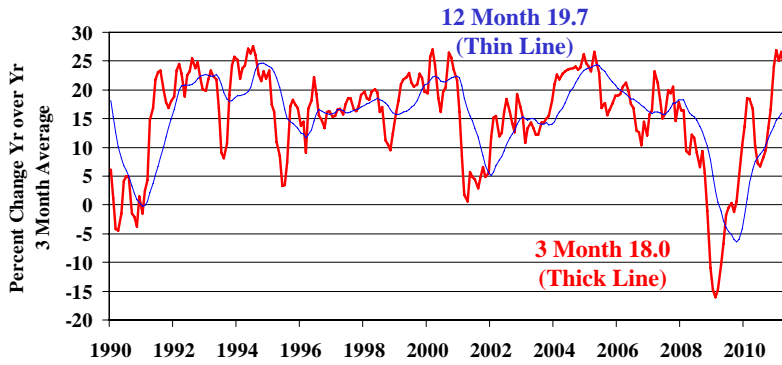
Corporate Profits Improving



Source: U.S. Department of Commerce, Bureau of Economic Analysis IAC 9-1-11

Capital Spending Expectations Improving Long Term

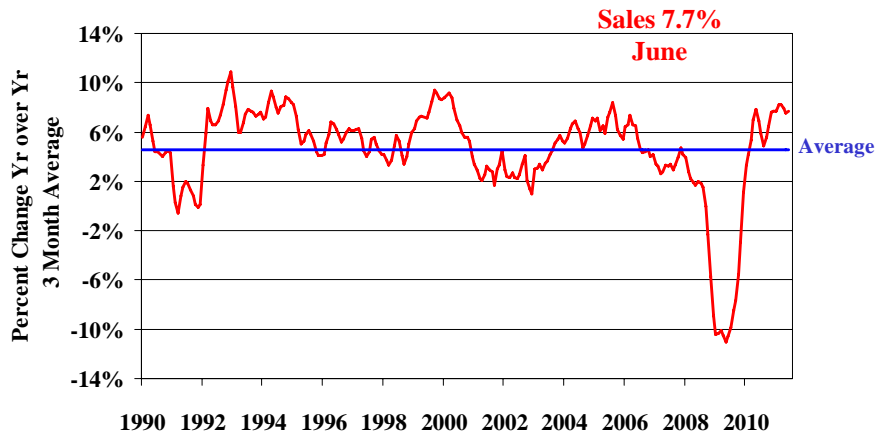
Philadelphia Federal Reserve Bank Capital Spending Expectations Index



Source: Philadelphia Federal Reserve Bank

IAC 9-1-11

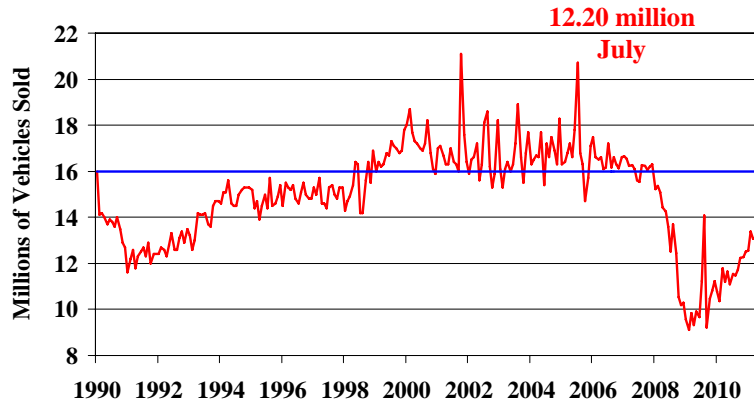
Retail Sales Growth Remains Weak



Source: U.S. Department of Commerce, Bureau of Economic Analysis

IAC 9-1-11

U.S. Light Vehicle Sales Improving

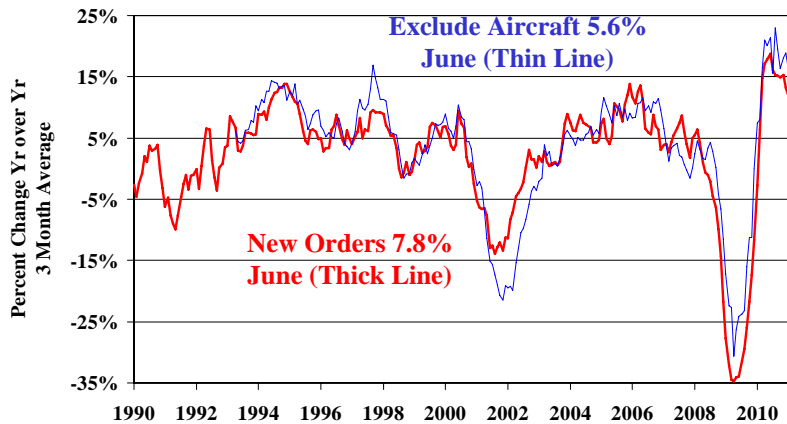


Source: U.S. Department of Commerce, Bureau of Economic Analysis, and Bloomberg

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Capital Spending Declining

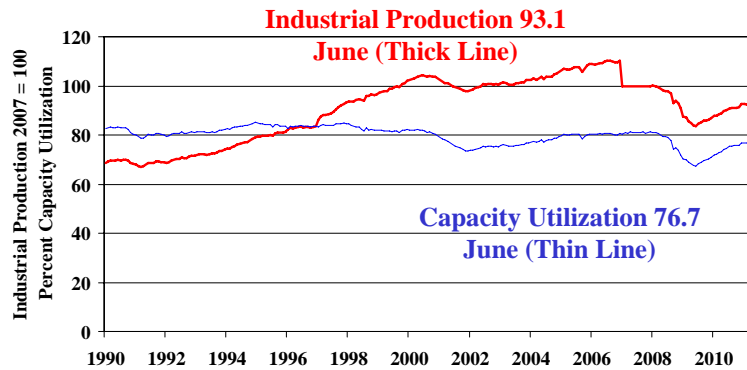
New Orders for Durable Goods (Excluding Aircraft and Defense)



Source: U.S. Department of Commerce, Bureau of Economic Analysis

IAC 9-1-11

Industrial Production and Capacity Utilization Increasing Moderately



Source: U.S. Federal Reserve Bank

IAC 9-1-11

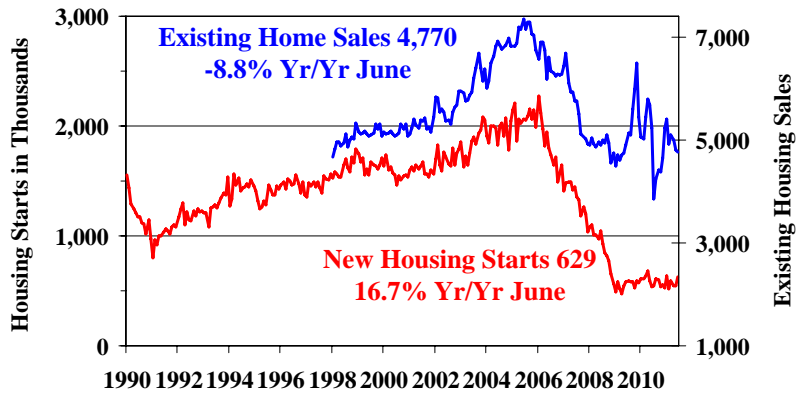
U.S. Labor Market Still Sluggish Initial Unemployment Claims & Four-Week Moving Avg. Trending Up



Source: U.S. Department of Labor, Employment and Training Administration

IAC 9-1-11

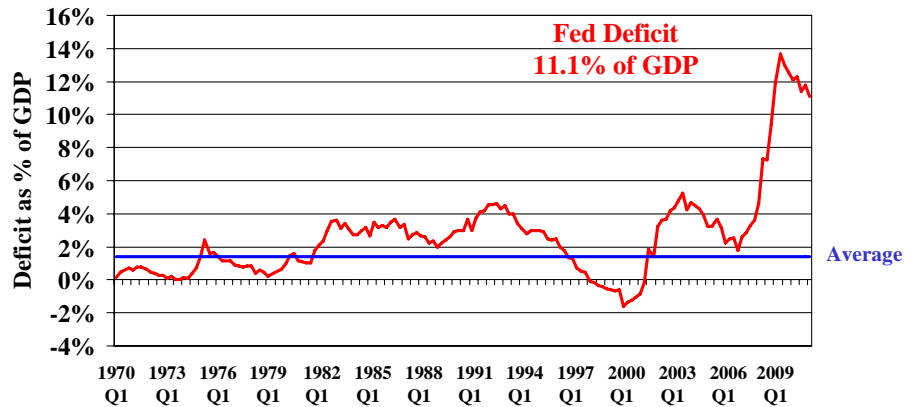
Existing Home Sales and Housing Starts Remain Weak



Source: U.S. Department of Commerce, Bureau of Economic Analysis

IAC 9-1-11

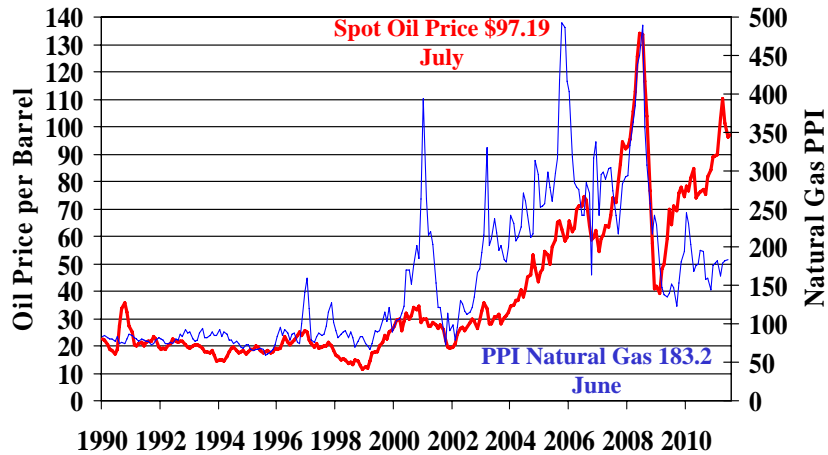
U.S. Federal Deficit Remains High



Source: U.S. Department of Commerce, Bureau of Economic Analysis

IAC 9-1-11

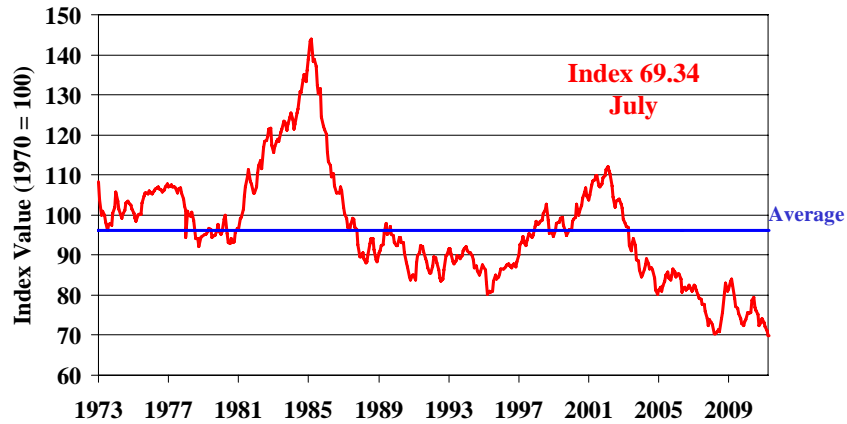
Natural Gas Prices Increasing Oil Prices Decreasing



Sources: U.S. Department of Labor, Bureau of Labor Statistics, Federal Reserve Bank of St. Louis

IAC 9-1-11

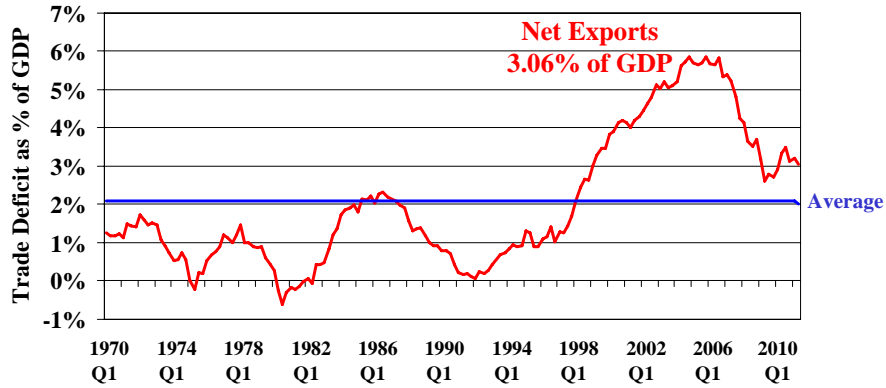
Trade Weighted U.S. Dollar Continues To Weaken



Source: Federal Reserve Board

IAC 9-1-11

U.S. Foreign Trade Deficit Decreasing

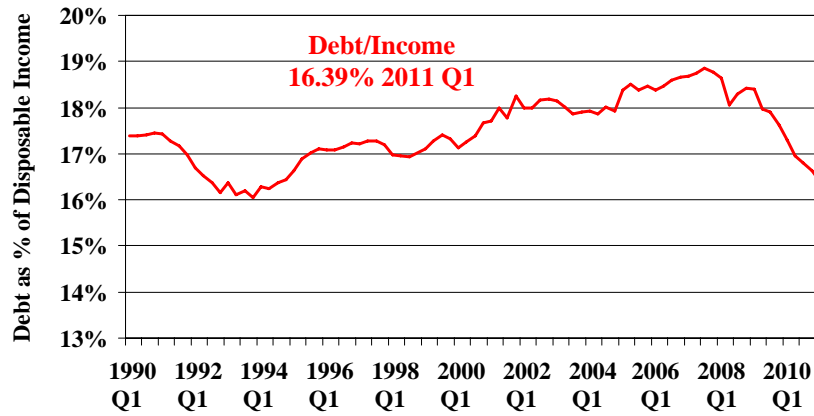


Source: U.S. Department of Commerce, Bureau of Economic Analysis

IAC 9-1-11

Consumers Remain Focused On Paying Off Debt

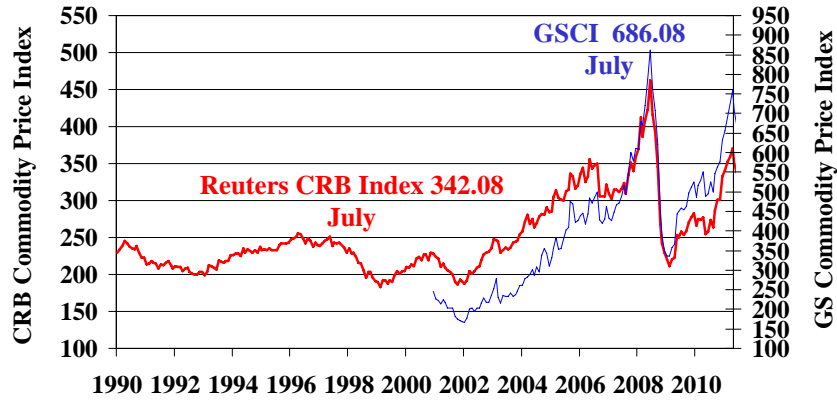
Financial Obligations as Percent of Disposable Income



Source: U.S. Department of Commerce, Bureau of Economic Analysis

IAC 9-1-11

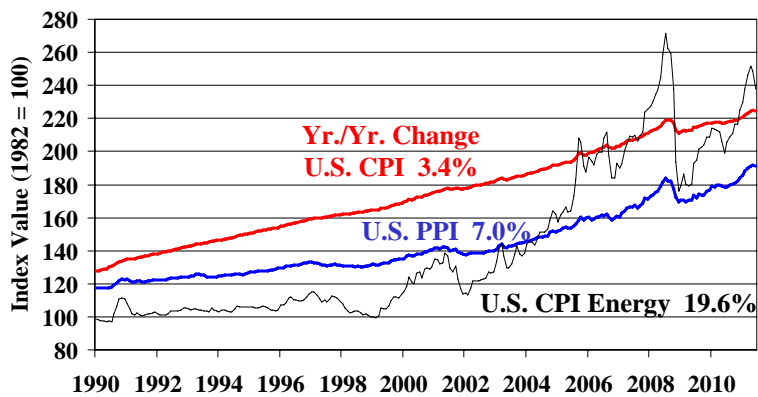
Commodity & Energy Index Prices Decreasing



Sources: Reuters, Goldman Sachs, Bloomberg

IAC 9-1-11

Consumer and Producer Prices Increasing

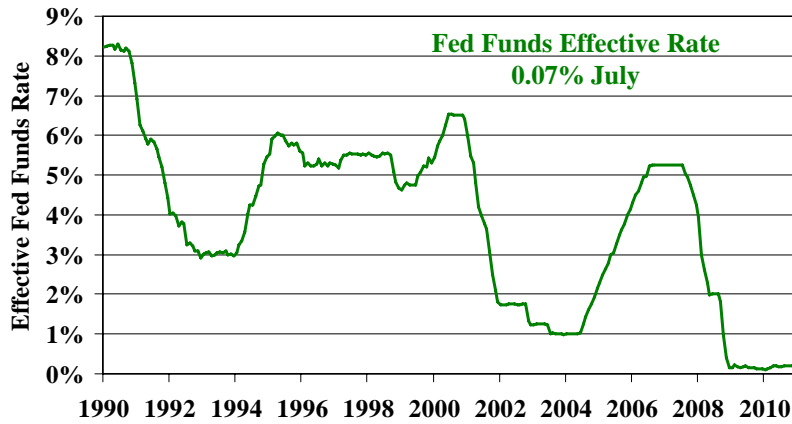


Note: Rates are year over year for latest month, seasonally adjusted.

Source: U.S. Department of Labor, Bureau of Labor Statistics

IAC 9-1-11

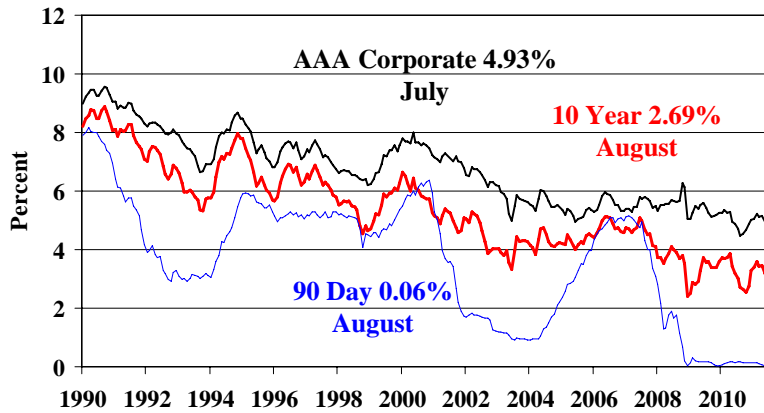
Federal Open Market Committee Holds Fed Funds Rate Below 0.10%



Source: Federal Reserve Board

IAC 9-1-11

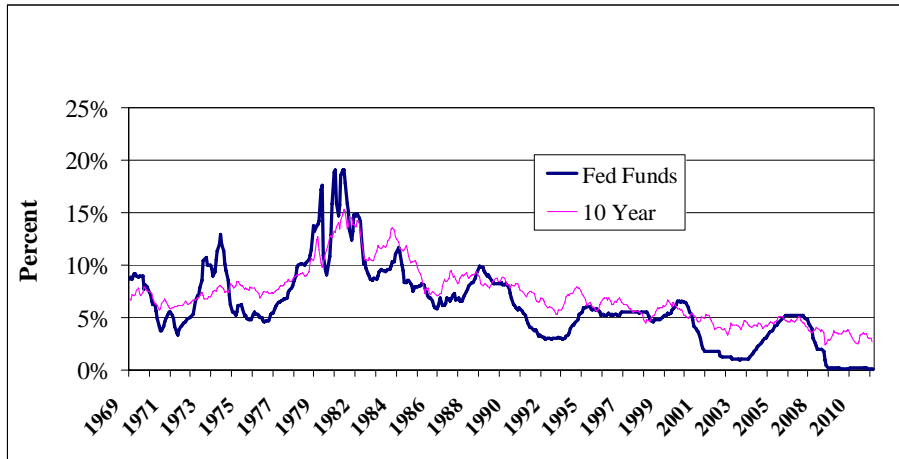
Credit Spreads Have Narrowed



Source: Federal Reserve Board

IAC 9-1-11

Interest Rates Remain Historically Low



Source: Federal Reserve Board, National Bureau of Economic Research

IAC 9-1-11

U.S. Economic Forecast Comparisons

<u>Real GDP Growth</u>	<u>2011</u>	<u>2012</u>
Univ. of Michigan	2.5%	3.1%
Blue Chip	2.5%	3.0%
Global Insight	2.5%	2.6%

IAC 9-1-11

Likelihood of 2011 Economic Outlook

2011-2012 Forecasts

<u>Scenario</u>	<u>Aug</u>	<u>Nov</u>	<u>Feb</u>	<u>May</u>	<u>Aug</u>
Stronger Growth	10%	10%	5%	5%	10%
Moderate Growth	70%	70%	65%	65%	70%
Slowdown	20%	20%	30%	30%	20%

IAC 9-1-11

Upside Risks To The Forecast

- Credit conditions improve quickly.
- Job growth.
- Stronger consumer spending.
- Stronger export growth.

IAC 9-1-11

Downside Risks To The Forecast

- Significant job loss/high unemployment
- Continued credit market events
- Housing market downturn
- Shock to economy from geopolitical events
 - Spread of social unrest
- Sovereign Credit Default Concerns Global
- Higher prices for oil, food, and other commodities

Economic and Market Outlook

August 2011

<u>Economic</u>	<u>2010</u>	Forecast	
		<u>2011</u>	<u>2012</u>
Real GDP	2.9%	2.5%	2.6%
Retail Sales	7.6%	4.0%	3.0%
Auto Sales (millions)	11.6	12.7	14.6
Housing Starts (millions)	585 5.6%	594 1.5%	837 40.9%
Corporate Profits	30.4%	5.1%	3.5%
Durable Goods	7.7%	8.4%	6.1%
Unemployment Rate	9.6%	8.9%	8.6%
<u>Prices</u>			
CPI	1.6%	3.0%	1.8%
PPI	4.2%	5.7%	1.0%
Oil (WTI Spot Price)	\$79.41 28.6%	\$97.68 23.0%	\$103.62 6.1%
Employment Cost Index	1.9%	2.0%	2.1%
Value of U.S. Dollar (FRB)	-3.4%	-6.3%	-2.6%
<u>Interest Rates</u>			
Federal Funds Rate	0.18%	0.11%	0.27%
3-Month T-Bills	0.14%	0.09%	0.36%
10 Year T-Bonds	3.21%	3.28%	3.51%
<u>Equity Markets</u>			
S&P 500 (Year End)	1,257	1,325	1,450
Change	-11.4%	5.4%	9.4%
Operating EPS (Year End)	\$83.93	\$98.89	\$113.55
Change	9.8%	17.8%	14.8%
Multiple on Fair Value	15.0 X	13.4 X	12.8 X
Dividend (Year End)	\$22.73	\$26.25	\$30.00
Change	-6.5%	15.5%	14.3%
As a % of Earnings	27.1%	26.5%	26.4%
Yield	1.81%	1.98%	2.07%

Source: Economic Data and Interest Rates - Global Insight

Value of U.S. Dollar (FRB) - RSQE/University of Michigan

S&P 500: Historical One-Year Standard Deviation equals 22%.

Economic and Market Balance Sheet

Based on Current Economic Conditions

August 2011

Assets	Liabilities
<ul style="list-style-type: none">• Easy Monetary Policy• Rising Productivity• Strong Corporate Balance Sheets• GDP Growth	<ul style="list-style-type: none">• High Unemployment• Weak Housing Market• Weak Dollar & Consumer Spending• Geopolitical Turmoil• Sovereign Credit Default Concerns (PIIGS) - Euro Crisis• Federal Budget Deficit Government Debt Worries• Stress on State and Local Governments' Budgets• Rising Commodity Prices• High Energy Prices

**STATE OF MICHIGAN
RETIREMENT SYSTEMS**

**ALTERNATIVE INVESTMENTS
REVIEW**

INVESTMENT ADVISORY COMMITTEE MEETING

SEPTEMBER 1, 2011



**Peter A. Woodford, Administrator
Alternative Investments Division**

EXECUTIVE SUMMARY

General Overview

- Alternatives mark-to-market valuation increased 6.4% for the quarter. While all asset classes performed well over the past year, buyout funds continue to drive the greatest value long term for the portfolio.
- Second quarter distributions were \$711 million. Although this marks a 20% decrease from the prior quarter, distributions more than doubled the first six months of 2011 vs. 2010. Second quarter capital calls were \$309 million, a decrease of 32% from the first quarter.
- Five new commitments were approved during the quarter: \$50 million to Khosla Ventures IV, \$20 million to Accel Venture and Growth Equity Funds, \$30 million to RFE VIII, and \$40 million to GSO Capital Opportunities Fund II. These commitments allow the SMRS to participate in market opportunities for small buyouts, venture, and mezzanine debt.
- The actual allocation remained relatively flat at 20.8%. We continue to manage towards our target allocation.

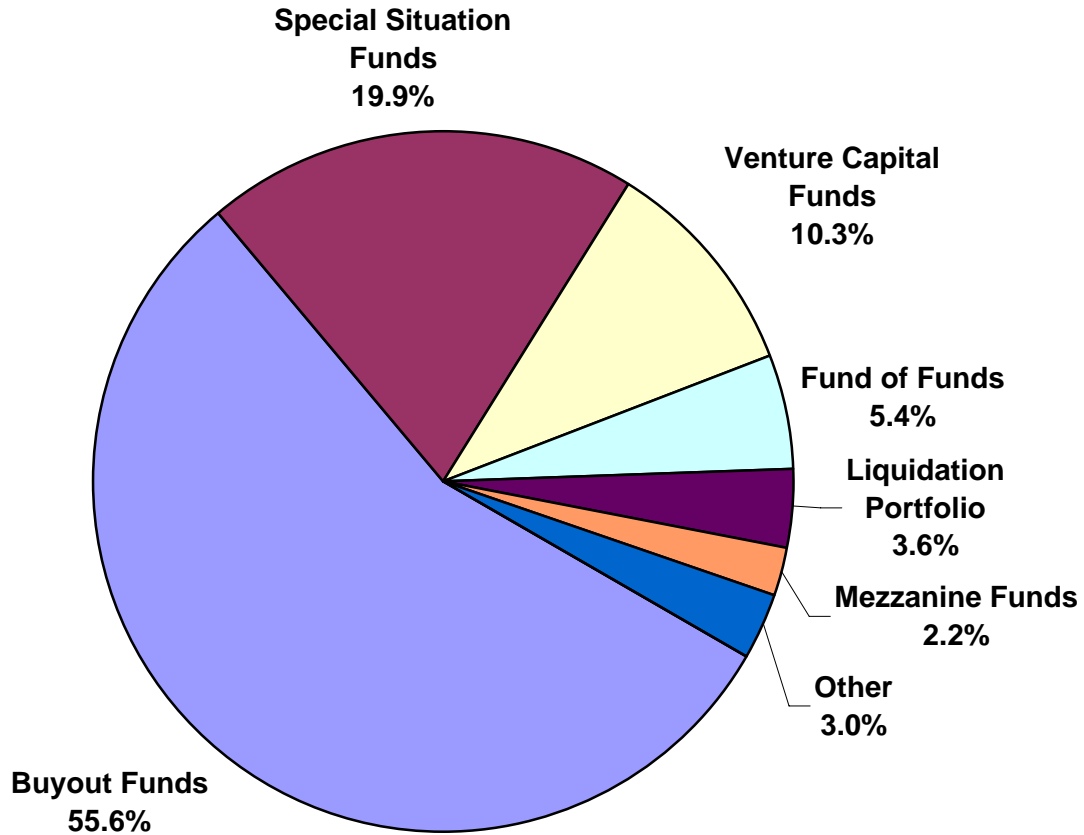
Outlook

- The second quarter offered ample opportunity for U.S.-based buyout shops to exit investments through mergers & acquisitions and IPOs. The record pace of divestitures is a strong indication that sponsors are taking profits off the table. High unemployment, macro-economic uncertainty and the European debt crises will continue to weigh on the market and make exits more difficult.
- U.S. sponsor buyout activity remained unimpressive in the second quarter, as firms struggled to compete with strategic buyers, economic uncertainty, the impact of financial regulations, and rebuilding deal pipelines following the chaotic conclusion to 2010. Purchase price multiples and equity contributions rose for both mid-market and large-cap deals. Mid-cap multiples were 7.9x EBITDA and large-cap multiples averaged 8.8x EBITDA.
- We continue to see opportunities in the mid to lower end of the buyout market and this area remains attractive.
- Distressed Debt Opportunities have diminished. The wall of debt maturities still exists, but ample liquidity and low default levels mean fewer investment opportunities and lower returns in the U.S. Distressed buyers have turned their focus to Europe where the debt crisis is more challenging and a default by any country could serve as the trigger event for a much wider financial crisis.
- The average high first round bid for all funds in the secondary market was 84.5% of NAV. The first half of 2011 was the busiest first six months of any year in secondary market history, with an estimated \$14 billion of transaction volume.
- Fundraising is showing nominal pickup, putting the industry on pace to exceed last year's total. Despite the uptick, the increase is nowhere close to the \$155.8 billion collected during the first half of 2008.
- InvestMichigan! update: the program has committed \$147 million to 26 deals and has reserved an additional \$56 million for follow-on investment. Although the program is still actively investing, there have been two realizations and one dividend recap.



SMRS Alternative Investments

6/30/11



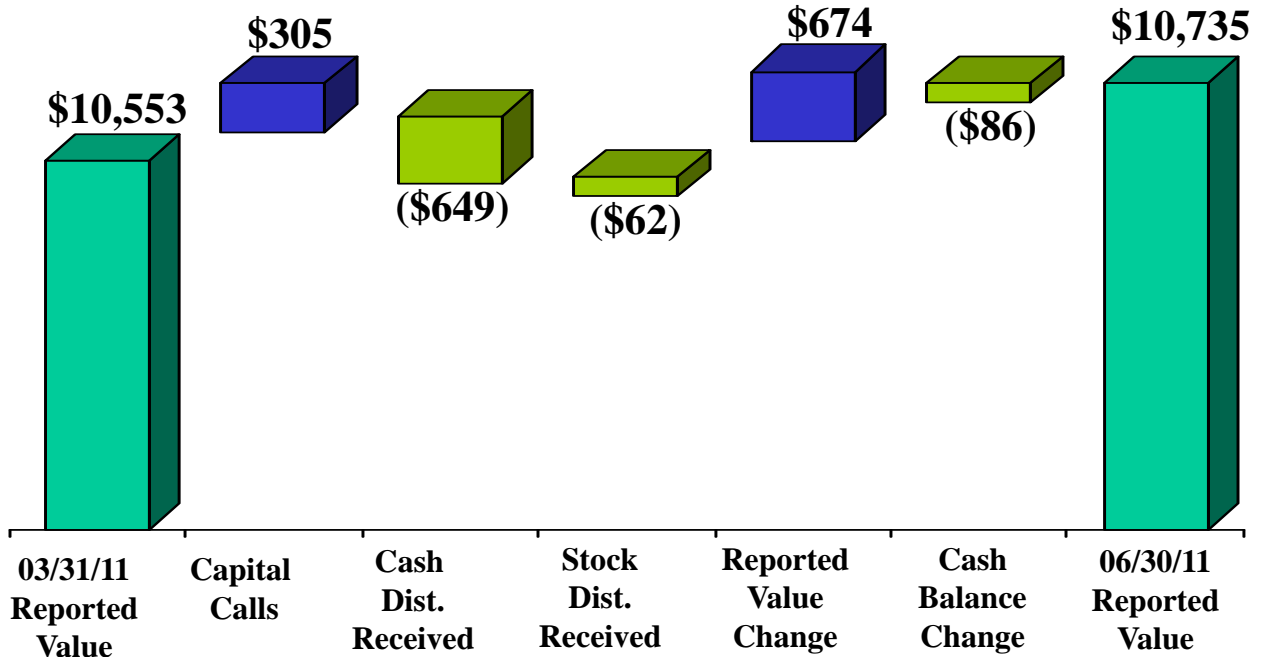
	Market Value in Millions			
	6/30/2011		3/31/2011	
Buyout Funds	\$5,963	55.6%	\$5,748	54.5%
Special Situation Funds	2,134	19.9%	2,089	19.8%
Venture Capital Funds	1,109	10.3%	1,086	10.3%
Fund of Funds	578	5.4%	545	5.2%
Liquidation Portfolio	390	3.6%	447	4.2%
Mezzanine Funds	237	2.2%	217	2.1%
Other	324	3.0%	421	3.9%
Total	\$10,735	100.0%	\$10,553	100.0%

(\$ Millions)

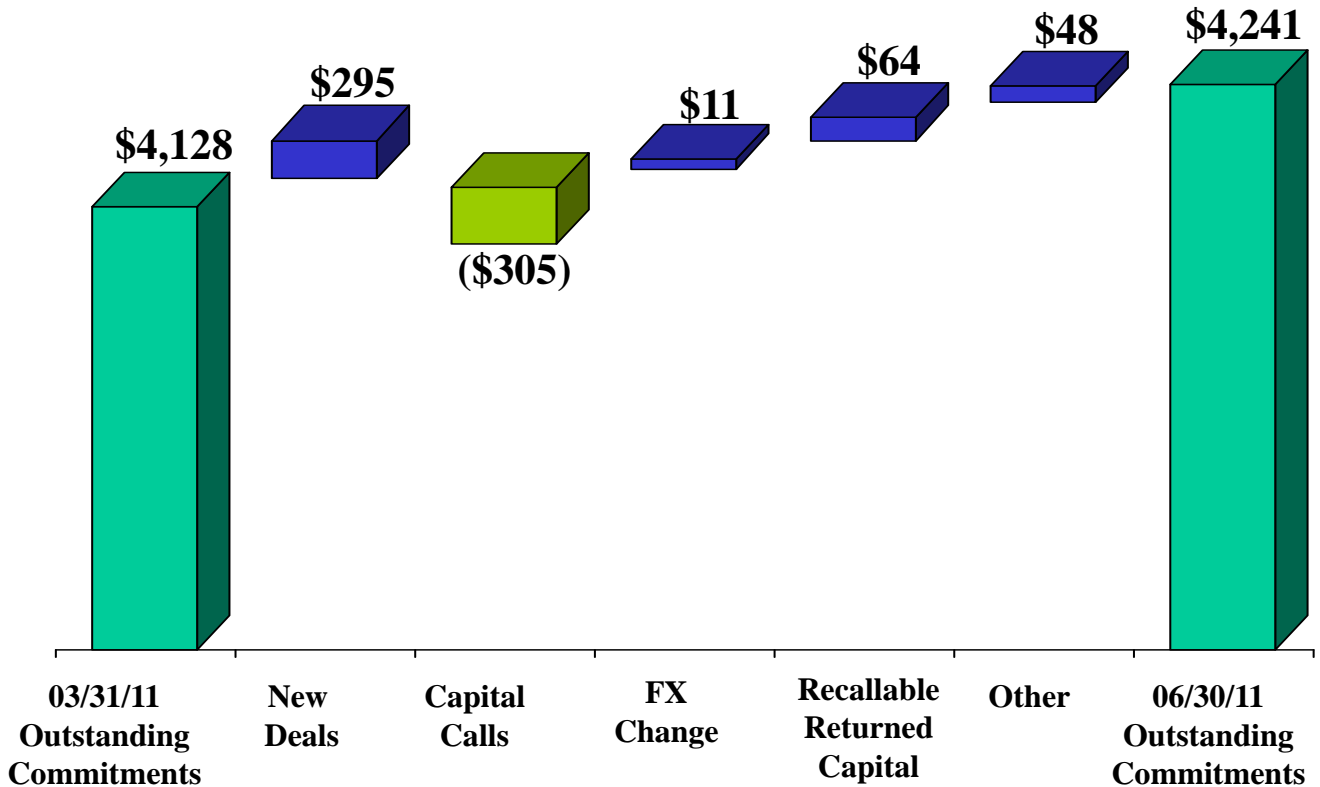
Alternative Investments Division

As of June 30, 2011

Invested Commitments



Outstanding Commitments



(\$ Millions)

Alternative Investments Division

As of June 30, 2011

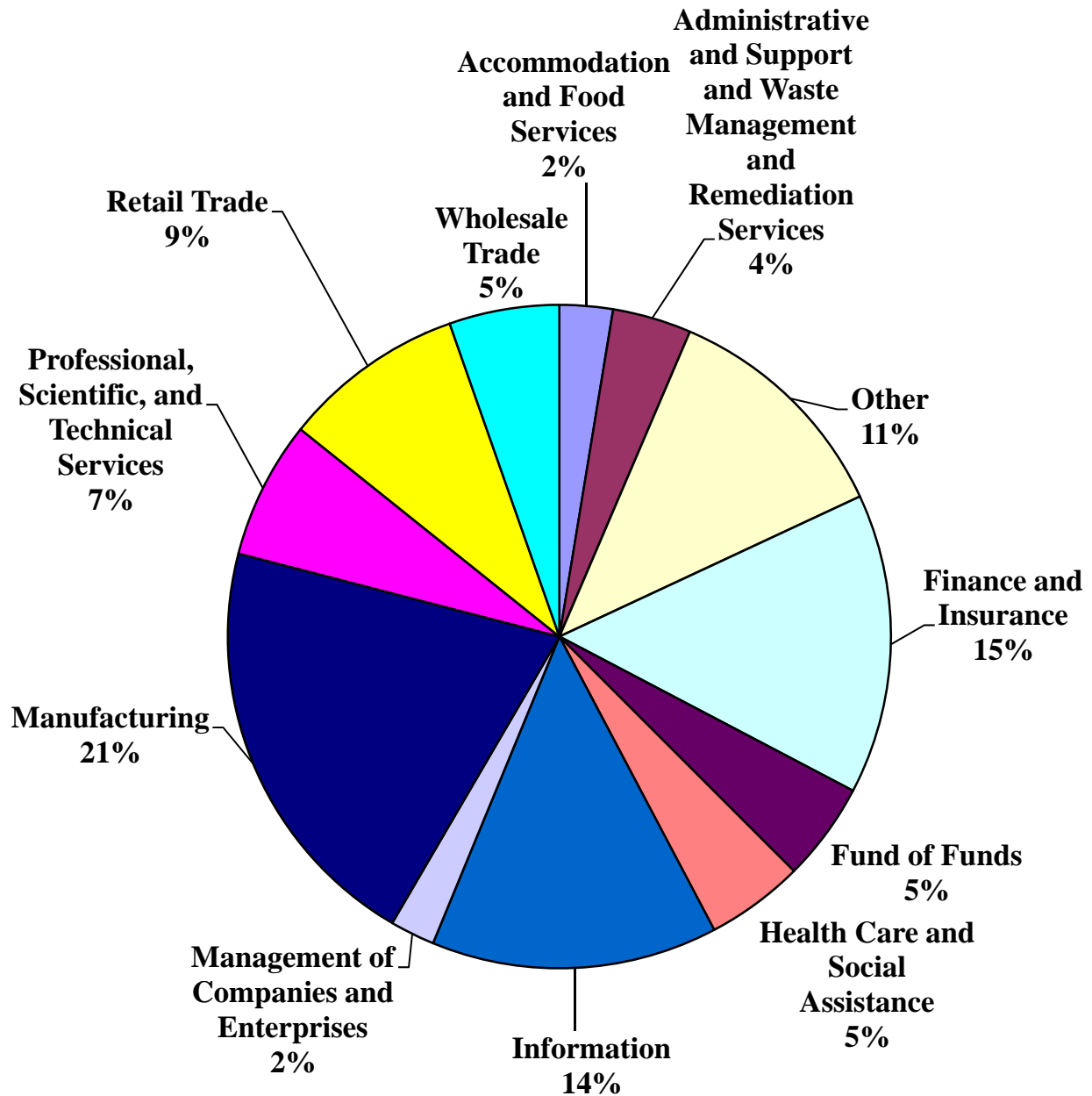
Portfolio Profile

<u>Asset Type</u>	<u>Reported Value</u>	<u>Outstanding Commitment</u>	<u>Total Exposure</u>
Buyout	\$ 5,963	\$ 2,601	\$ 8,564
Venture Capital	1,109	402	1,511
Special Situations	2,033	767	2,800
Fund of Funds	578	202	780
Hedge Funds - Equity	41	-	41
Liquidation Portfolio	390	33	423
Active Small Cap - Stock Dist	21	-	21
Total Alternative Equities	\$ 10,135	\$ 4,005	\$ 14,140
Mezzanine Debt	\$ 237	\$ 197	\$ 434
Special Situations	101	39	140
Hedge Funds - Fixed Income	116	-	116
Cash	146	-	146
Total Alternative Fixed Income	\$ 600	\$ 236	\$ 836
Total Alternative Investments	\$ 10,735	\$ 4,241	\$ 14,976

Alternative Investments Division

As of June 30, 2011

Investments By Industry

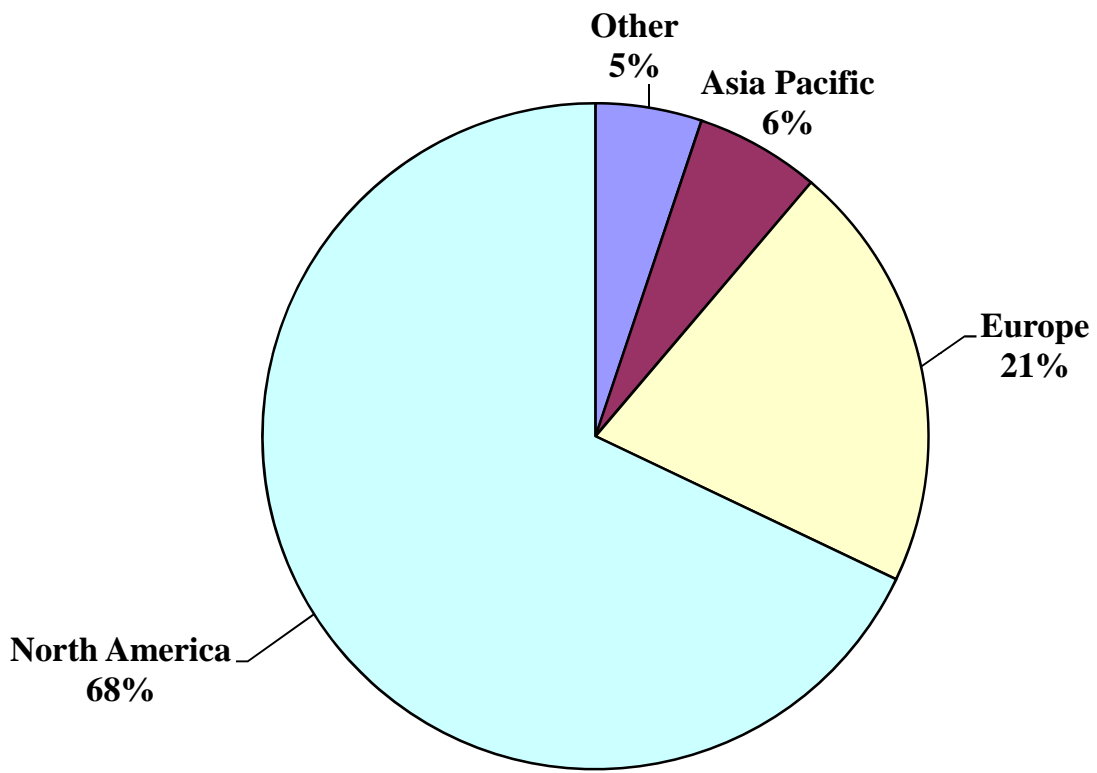


These numbers are based on the most recent available General Partner Data; primarily 03/31/2011 and are subject to change.

Alternative Investments Division

As of June 30, 2011

Investments By Region

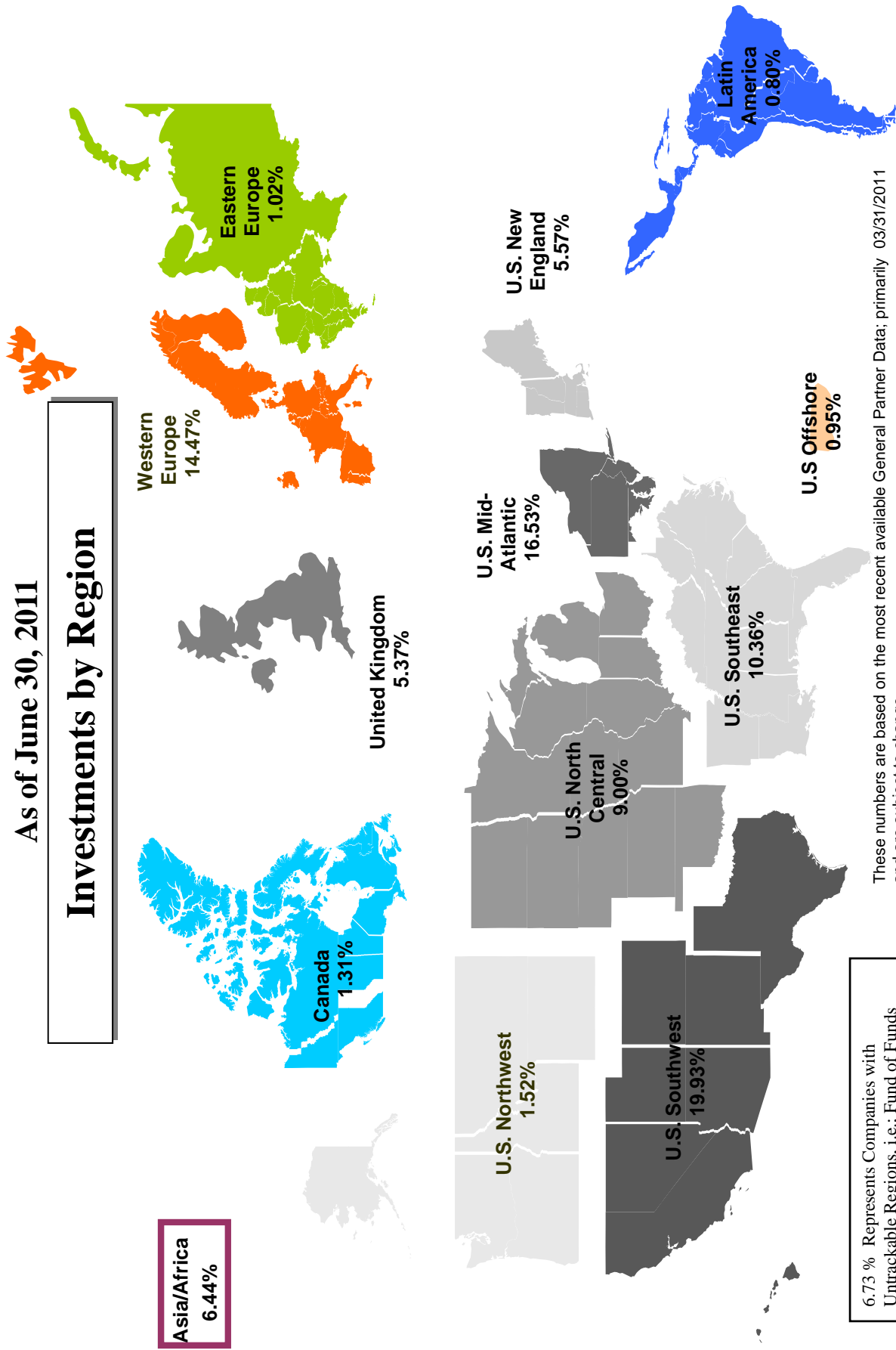


These numbers are based on the most recent available General Partner Data; primarily 03/31/2011 and are subject to change.

Alternative Investments Division

As of June 30, 2011

Investments by Region



6.73 % Represents Companies with Untrackable Regions, i.e.; Fund of Funds

These numbers are based on the most recent available General Partner Data; primarily 03/31/2011 and are subject to change.

(\$ Millions)

Alternative Investments Division

As of June 30, 2011

Portfolio By Asset Strategy

<u>Investment Fund Types</u>	<u>Reported Value</u>	<u>Outstanding Commitment</u>	<u>Total</u>	<u>Pct</u>
Large Buyout	\$ 3,821	\$ 1,484	\$ 5,305	36%
Small Middle Market Buyout	2,142	1,117	3,259	22%
Buyout Total	\$ 5,963	\$ 2,601	\$ 8,564	58%
Early Stage Venture Capital	\$ 487	\$ 165	\$ 652	4%
Late-Stage Venture Capital	153	107	260	2%
Multi-Stage Venture Capital	469	130	599	4%
Venture Capital Total	\$ 1,109	\$ 402	\$ 1,511	10%
Co-Investment Funds	\$ 594	\$ 32	\$ 626	4%
Global Opportunity Funds	652	129	781	5%
Secondary Funds	180	171	351	2%
Distressed	352	189	541	4%
Special Situations	255	246	501	3%
Natural Resources	-	-	-	0%
Special Situations Total	\$ 2,033	\$ 767	\$ 2,800	18%
Fund of Funds	\$ 578	\$ 202	\$ 780	5%
Hedge Funds – Equity	\$ 41	\$ -	\$ 41	0%
Liquidation Portfolio	\$ 390	\$ 33	\$ 423	3%
Active Small Cap - Stock Dist.	\$ 21	\$ -	\$ 21	0%
Total Alternative Equities	\$ 10,135	\$ 4,005	\$ 14,140	94%
Mezzanine Debt	\$ 237	\$ 197	\$ 434	3%
Special Situations	101	39	140	1%
Hedge Funds – Fixed Income	116	-	116	1%
Cash	146	-	146	1%
Total Alternative Fixed Income	\$ 600	\$ 236	\$ 836	6%
Total Alternative Investments	\$ 10,735	\$ 4,241	\$ 14,976	100%

(\$ Millions)

Alternative Investments Division

As of June 30, 2011

Top 10 Sponsors

<u>Asset Type</u>	<u>Reported Value</u>	<u>Outstanding Commitment</u>	<u>Total</u>
Kohlberg Kravis & Roberts	\$ 876	\$ 228	\$ 1,104
Credit Suisse Group	851	222	1,073
Glencoe Capital	662	135	797
Carlyle Group	561	224	785
Blackstone Capital Partners	423	362	785
Warburg Pincus Capital	566	64	630
TPG Group	381	194	575
Providence Equity Partners	371	91	462
Green Equity Investors	344	97	441
Doughty Hanson & Co.	308	96	404
Top 10 Total Value	\$ 5,343	\$ 1,713	\$ 7,056

Cash Weighted Rates Of Return*

<u>(Net IRR)</u>	<u>Current Qtr.</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>
Buyout	5.6%	24.3%	4.6%	13.3%	12.0%
Venture Capital	4.7%	32.5%	6.9%	9.7%	0.5%
Special Situations	3.6%	18.3%	4.3%	6.6%	7.7%
Fund of Funds	0.5%	16.1%	1.9%	11.3%	5.2%
Hedge Funds	1.7%	9.9%	5.5%	4.8%	6.3%
Mezzanine Debt	3.4%	15.6%	15.0%	14.7%	3.1%

*These numbers are based on most recent available General Partner reported data; primarily 03/31/2011 and are subject to change.

Alternative Investments Division

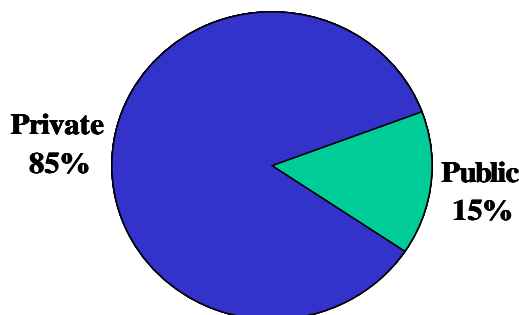
As of June 30, 2011

Portfolio By Vintage Year

<u>Asset Vintage</u>	<u>Reported Value</u>	<u>Outstanding Commitment</u>	<u>Total Exposure</u>
1986-93	\$9	\$2	\$11
1994	1	-	1
1995	24	7	31
1996	19	2	21
1997	74	21	95
1998	128	24	152
1999	363	97	460
2000	448	60	508
2001	574	87	661
2002	883	23	906
2003	450	31	481
2004	872	76	948
2005	1,398	162	1,560
2006*	2,812	818	3,630
2007	1,449	767	2,216
2008	875	1,303	2,178
2009	85	140	225
2010	103	208	311
2011	1	413	414
Cash	146	-	146
Act. Small Cap - Stock Dist	21	-	21
Total	\$10,735	\$4,241	\$14,976

* Liquidation portfolio is 2006 vintage

Public/Private Exposure



(\$ Millions)

Alternative Investments Division

As of June 30, 2011

Summary Of Transactions

<u>Month</u>	<u>Capital Calls*</u>	<u>Distributions Received</u>	<u>Net Cash Flow</u>
July 2010	\$220	\$130	(\$90)
August	90	152	62
September	<u>139</u>	<u>162</u>	<u>23</u>
Total Quarter	\$449	\$444	(\$5)
October 2010	\$116	\$266	\$150
November	189	177	(12)
December	<u>254</u>	<u>382</u>	<u>128</u>
Total Quarter	\$559	\$825	\$266
January 2011	\$143	\$184	\$41
February	102	289	187
March	<u>211</u>	<u>417</u>	<u>206</u>
Total Quarter	\$456	\$890	\$434
April 2011	\$81	\$200	\$119
May	104	284	180
June	<u>124</u>	<u>227</u>	<u>103</u>
Total Quarter	\$309	\$711	\$402
Trailing Twelve Month	<u>\$1,773</u>	<u>\$2,870</u>	<u>\$1,097</u>

* Includes Fees and Expenses Paid Outside of Commitment

FX Exposure

	<u>Reported Value</u>	<u>Oustanding Commitment</u>	<u>Total Exposure</u>	<u>Total (USD)</u>
Euro (\$1.449849/ €)	€824	€334	€1,158	1,679
Pound (\$1.605449/ £)	£10	£3	£13	21
Yen (\$0.012382/ ¥)	¥105	¥0	¥105	1

SMRS

Vintage Year		Fund Name		ARV 06.30.2011	Outstanding Commitment
Equity Funds					
<u>Venture Capital</u>					
Early Stage Venture Capital					
Oct	2004	00499U97	Accel IX, L.P.	\$ 111,337,796	\$ 3,000,000
Mar	1996	00499191	Accel V, L.P.	100,835	-
Jan	1998	00499895	Accel VI, L.P.	2,921,471	-
Aug	2001	00499Q95	Accel VI-S	4,540,537	652,611
Jul	1999	00399899	Accel VII, L.P.	3,003,714	5,000,000
May	2000	00499C99	Accel VIII, L.P.	4,874,681	4,782,499
Oct	2007	00431695	Accel X, L.P.	7,600,550	3,250,000
Oct	2011	ACI000YE	Accel XI, L.P.	-	8,000,000
Dec	2007	03999M98	Arboretum Ventures II	1,320,497	1,995,096
Jan	2011	ACI00GQZ	Arboretum Ventures III, L.P.	1,425,000	13,575,000
Jan	2001	01999A98	Austin Ventures VIII, L.P.	17,654,274	-
Feb	2008	18299295	Clarus Life Sciences II, L.P.	24,458,259	27,325,000
Mar	2005	18299294	Clarus Lifesciences I	26,335,594	6,988,800
Oct	2004	18599A92	Clearstone Venture Partners III	21,054,375	1,612,000
Dec	2003	01899598	CMEA Ventures VI	19,792,215	2,750,000
Jun	2007	01899594	CMEA Ventures VII, L.P.	18,981,302	16,000,000
Jul	2004	28099N96	EDF Ventures III	4,651,580	602,426
Jul	1998	03199495	Essex Woodlands Health IV	3,757,516	-
Aug	2000	29799D97	Essex Woodlands Health V	13,178,057	-
Jul	2004	33899894	Flagship Ventures Fund 2004	24,895,303	650,000
Jul	2007	33899893	Flagship Ventures Fund 2007, L.P.	23,879,506	9,225,000
Nov	2010	ACI00D8Q	Flagship Ventures Fund IV, L.P.	810,481	14,062,500
Oct	2004	46188991	InterWest Partners IX	9,900,175	4,000,000
Nov	2005	53699A91	Lightspeed Venture Partners VII	29,794,329	5,585,436
Jan	2001	58685798	Menlo Ventures IX, L.P.	16,267,046	-
Jan	1997	58685695	Menlo Ventures VII	588,005	-
May	1999	58699698	Menlo Ventures VIII	2,975,202	-
Apr	2006	58699N91	Menlo Ventures X, L.P.	20,105,979	12,000,000
Oct	2010	ACI00F8Y	Menlo Ventures XI, L.P.	-	20,000,000
Dec	1995	68299091	One Liberty Fund III	645,675	-
Jan	1998	68599898	One Liberty Fund IV	1,649,993	-
Apr	2000	68599899	One Liberty Ventures 2000	11,035,301	-
Jul	1998	89941097	Tullis - Dickerson Capital II	6,433,964	-
Jun	2001	89941098	Tullis - Dickerson Capital III	12,027,679	-
Early Stage Venture Capital Total				\$ 447,996,891	\$ 161,056,367
Early Stage Venture Capital International					
Mar	2001	00499J96	Accel Europe I, L.P.	\$ 17,244,178	\$ 1
Jun	2005	00429891	Accel Europe II	21,723,834	3,300,000
Early Stage Venture Capital International Total				\$ 38,968,012	\$ 3,300,001
Late-Stage Venture Capital					
June	2011	ACI00OW5	Accel Growth Fund II, L.P.	\$ -	\$ 12,000,000
Apr	2009	49399D95	Khosla Ventures III, L.P.	33,242,494	18,250,000
Jun	2011	ACI00NK9	Khosla Ventures IV, L.P.	-	50,000,000
Jun	2000	59099798	MeriTech Capital Partners II, L.P.	8,575,556	2,150,000
Jul	2006	59099E91	Meritech Capital Partners III, L.P.	104,057,000	1,200,000
Oct	2010	ACI00AVY	Meritech Capital Partners IV, L.P.	2,443,022	17,500,000
Aug	1999	59099C92	MeriTech Capital Partners, L.P.	4,020,612	6,187,500
Jun	1988	74999F93	RFE IV Venture	610,787	-
Late-Stage Venture Capital Total				\$ 152,949,471	\$ 107,287,500

SMRS

Vintage Year			Fund Name	ARV 06.30.2011	Outstanding Commitment
Multi-Stage Venture Capital					
Oct	1994	00199195	APA Excelsior IV, L.P.	\$ 387,015	\$ -
May	1998	00299799	APA Excelsior V	2,542,658	545,625
May	2000	00299S91	Apax Excelsior VI	15,880,560	1,614,434
Apr	1999	07199198	Battery Ventures V, L.P.	452,268	-
May	2000	07299594	Battery Ventures VI, L.P.	9,420,480	-
Sep	2004	07299595	Battery Ventures VII, L.P.	14,022,532	755,556
Jul	2007	07399995	Battery Ventures VIII	27,256,193	4,355,800
Mar	1998	18599A99	Clearstone Venture Partners (idealab)	439,800	-
Aug	1999	18599191	Clearstone Venture Partners II (idealab)	8,030,400	-
Feb	2008	03299893	Essex Woodlands Health Ventures Fund VIII	24,658,829	44,250,000
Jan	2004	29799A9W	Essex Woodlands Health VI	17,544,897	1,812,500
May	2006	29799E94	Essex Woodlands Health VII	79,391,259	12,000,000
Oct	1999	71499298	FirstMark Capital Fund II (fka: Pequot PEFII)	1,473,841	-
Jul	2000	71499698	FirstMark Capital III (fka: Pequot PEFIII)	18,935,852	284,000
Oct	2005	71499X92	FirstMark Capital IV (fka: Pequot PEFIV)	16,867,756	1,572,768
Aug	1997	35999091	Frontenac VII	105,099	-
Apr	2000	35999D98	Frontenac VIII	12,614,643	1,017,776
Jun	2001	37399496	Globespan Capital Partners IV (Jafco)	17,242,223	1,485,000
Feb	2006	38099T93	Globespan Capital Partners V, LP	50,781,848	19,050,000
June	1998	39999496	Grotech Partners V	2,647,207	-
Dec	2000	39984698	Grotech Partners VI	16,358,456	-
Mar	1992	42299392	Healthcare Venture III	28,430	-
Jun	1997	42299497	Healthcare Venture V	2,058,039	-
Oct	2000	42299496	Healthcare Venture VI	959,054	-
Nov	2002	42299692	Healthcare Venture VII	10,335,389	712,500
Jul	2005	42199B92	Healthcare Venture VIII	19,074,918	14,260,000
Feb	2000	46999A95	JAFCO America Technology Fund III	3,362,038	-
Aug	2000	94899A99	Lightspeed Venture Partners VI	12,773,164	3,299,089
Sep	2002	55399S97	MPM BioVentures III	9,469,539	575,000
Oct	2008	64799C92	New Leaf Ventures II, L.P.	11,106,340	20,650,000
Dec	2001	64199X91	NV Partners II	2,745,486	479,147
Jan	2001	67299392	Oak Investment Partners X, L.P.	18,677,151	-
Sep	1999	67140699	Oak Investments Partners IX, L.P.	3,426,252	-
Sep	1997	74199A94	Primus Capital Fund IV	572,326	500,000
Jun	2000	74199A93	Primus Capital Fund V	14,799,483	712,500
Aug	2000	85299E99	Sprout Capital IX	6,709,282	-
Jan	1995	85299G98	Sprout Capital VII	2,814,433	-
Feb	1998	84699395	Sprout Capital VIII, L.P.	3,031,111	-
Dec	1994	93399097	Warburg Pincus Ventures, L.P.	227,303	-
Jul	1999	95099394	Weiss, Peck & Greer V (adm: Opus Capital)	7,748,616	386,240
Multi-Stage Venture Capital Total				\$ 466,972,170	\$ 130,317,935

SMRS

Vintage Year			Fund Name	ARV 06.30.2011	Outstanding Commitment
Multi-Stage Venture Capital International					
Sep	1999	03748491	Apax Globis Japan Fund	\$ 1,304,323	\$ -
Nov	1997	94599E98	Warburg Pincus Ventures Int'l	415,258	-
Multi-Stage Venture Capital International Total				\$ 1,719,581	\$ -
Venture Capital Total				\$ 1,108,606,125	\$ 401,961,803
Buyout					
Large Buyout					
Jan	2003	01999F91	Blackstone Capital Partners IV	\$ 132,160,307	\$ 2,714,581
Oct	2005	09299493	Blackstone Capital Partners V	211,140,754	32,556,205
Oct	2005	01999L96	Blackstone Capital Partners V-S	20,548,009	981,082
Jun	2008	ACI00C19	Blackstone Capital Partners VI, L.P.	-	300,000,000
Sep	1993	08499E94	Blackstone Partners II, L.P.	43,920	936,340
Jun	1997	08499E95	Blackstone Partners III, L.P.	51,958,554	10,428,693
Dec	1995	12799X99	Carlyle Partners II, L.P.	5,524,817	-
Feb	2000	12799X98	Carlyle Partners III, L.P.	15,606,564	14,184,834
Apr	2005	14399892	Carlyle Partners IV, L.P.	182,696,459	15,798,609
May	2007	12999L98	Carlyle Partners V L.P.	181,455,417	130,951,175
Jun	2000	23399F92	DLJ Merchant Banking Partners III, L.P.	42,931,845	3,262,075
Nov	1997	23399691	DLJ Merchant Banking Ptrs II, L.P.	4,436,911	1,856,746
Mar	2006	39399392	Green Equity Investors V	240,139,319	85,159,868
Jan	1987	48399192	KKR 1987 Fund	6,137,670	-
Jan	1993	48399191	KKR 1993 Fund	1,060,999	-
Jan	1996	48299896	KKR 1996 Fund	16,468,296	-
Jan	1998	49899J92	KKR 1996 Secondary Fund	2,058,291	10,841
Jul	2006	49899J94	KKR 2006 Fund, L.P.	242,950,996	61,799,000
Aug	2009	929MCB90	KKR E2 Investors (Annex) Fund	9,613,127	19,382,079
Dec	2002	48299F94	KKR Millennium Fund	239,488,127	-
Apr	2004	01399891	Providence Equity Partners V, L.P.	141,509,348	13,385,460
Mar	2006	74499W90	Providence Equity Partners VI, L.P.	229,357,113	77,824,546
Sep	2004	82799491	Silver Lake Partners II	20,408,951	3,676,533
Dec	2007	82799Y93	Silver Lake Partners III	69,656,205	56,000,981
Dec	2003	87399J91	TPG IV (Texas Pacific Group IV)	43,580,276	1,317,112
Mar	1997	87299C92	TPG Partners II, LP	30,535	4,740,475
Dec	1999	87299X91	TPG Partners III, LP	44,756,081	34,283,293
Feb	2008	77099A91	TPG Partners VI, L.P.	117,948,007	142,091,204
Mar	2006	77099696	TPG V (Texas Pacific Group V)	174,294,208	12,006,789
Large Buyout Total				\$ 2,447,961,106	\$ 1,025,348,520
Large Buyout International					
Apr	2004	03799T93	Apax Europe Fund VI	\$ 90,202,542	\$ 2,174,773
Feb	2001	07748498	Apax Europe V, L.P.	13,051,579	438,073
Feb	2007	01199W98	Apax Europe VII, L.P.	134,389,882	43,495,470
Mar	2011	ACI00JV1	BC European Capital IX	-	104,313,263
Mar	2000	05699S95	BC European Capital VII, L.P.	38,574,838	-
Mar	2005	05799V92	BC European Capital VIII, L.P.	219,341,964	30,069,868
Feb	2004	25899Q98	Doughty Hanson & Co IV	137,117,046	5,357,250
Nov	2007	25899F92	Doughty Hanson & Co V	120,926,930	86,956,545
Jan	1998	14399792	Doughty Hanson Co. III L.P.	50,250,552	3,993,444
Apr	2007	995KDL90	KKR Asia	90,812,004	28,272,000
Sep	2005	49899H94	KKR European Fund II	113,822,805	-

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Vintage Year		Fund Name		ARV 06.30.2011	Outstanding Commitment
Feb	2008	49899L91	KKR European Fund III	51,080,266	75,530,921
Sep	1999	49899H98	KKR European Fund LP 1	93,208,893	307,605
Jul	2010	ACI00BXM	Lion Capital Fund III, L.P.	27,035,179	47,190,543
Jan	2003	80899Q96	Permira Europe III LP	8,236,689	369,712
Jul	2006	71499U92	Permira Europe IV	111,490,422	29,866,889
Jul	2001	93499A97	Warburg Pincus Private Equity VIII, L.P.	73,002,351	-
Large Buyout International Total				\$ 1,372,543,942	\$ 458,336,357
Small Middle Market Buyout					
May	2006	37099Q91	Apax US VII	\$ 47,462,036	\$ 4,996,680
Jan	2006	04099N92	Ares Corporate Opportunities Fund II	83,540,279	16,166,975
Oct	1992	08499E98	Berkshire Fund III, L.P.	276,240	445,104
Feb	1996	08499E97	Berkshire Fund IV, L.P.	2,322,504	1,898,016
Dec	1998	08499E96	Berkshire Fund V, L.P.	6,531,752	1,900,578
Jul	2001	09699A99	Berkshire Fund VI, L.P.	60,788,364	6,376,047
Jul	2006	08499D97	Berkshire Fund VII, L.P.	106,399,334	42,019,297
May	2011	ACI00NWF	Berkshire Fund VIII, L.P.	-	125,000,000
Mar	2006	11299X91	Brockway Moran & Partners Fund III	6,775,869	8,305,840
Feb	1997	14790899	Castle Harlan Partners III, L.P.	4,203,503	545,932
May	2003	14790897	Castle Harlan Partners IV	10,765,911	10,572,075
Mar	2009	14899292	Castle Harlan Partners V	19,342,041	53,278,581
Jun	2000	35299P95	Fox Paine Capital Fund II, LP	46,701,113	16,533,384
Nov	1998	37899A99	Glencoe Capital Partners II	6,403,143	355,381
Jul	2001	37799A91	Glencoe Capital Partners III	12,628,325	6,277,979
Jan	1998	39299092	Green Equity Investors III	9,311,993	8,978,083
Sep	2003	39294092	Green Equity Investors IV	94,629,761	2,305,568
Jun	2006	43099A96	H.I.G. Capital Partners IV, L.P.	13,475,599	11,374,167
Feb	2003	48799695	Kelso Investment Associates VII	94,449,433	6,328,269
Jun	2007	48899U94	Kelso Investment Associates VIII	49,597,209	95,217,908
Dec	1998	54299494	Long Point Capital Fund	2,747,849	1,630,617
May	2004	54299491	Long Point Capital Fund II	8,339,744	1,720,302
May	2001	65899294	North Castle Partners III	5,636,820	139,722
Mar	2006	35199493	Paine & Partners Capital Fund III, LP	82,909,828	60,752,144
Jun	1999	70399A92	Parthenon Investors	2,837,102	96,798
Jan	2000	70299593	Parthenon Investors II	20,995,157	3,417,779
Jul	2005	76799S93	Parthenon Investors III	66,123,304	15,497,846
Aug	2008	998DZY90	RFE Investment Partners VII, LP	15,299,594	7,363,332
Jan	1994	74999F95	RFE V Ventures	359,498	397,091
May	1998	74999F94	RFE VI Ventures	1,231,335	3,211,623
Jul	2005	76899K9X	Riverside Micro Cap Fund I, LP	62,505,856	3,086,740
Jan	2008	917SMT90	The Huron Fund III, L.P.	11,266,866	21,772,500
Jan	2002	81999294	The Shansby Group 4	43,261,218	1,166,257
Nov	2007	89899294	The Shansby Group 5 (TSG5)	96,381,171	39,851,192
Jun	1997	97299098	Wind Point Partners III	599,237	-
Jul	1999	97299095	Wind Point Partners IV	41,347,727	1,541,518
Jan	2002	97399Q96	Wind Point Partners V, L.P.	13,435,016	1,609,935
Feb	2006	97299A91	Wind Point Partners VI	57,724,876	8,382,764
Jul	2009	97399B94	Wind Point Partners VII	22,772,196	49,078,097
Small Middle Market Buyout Total				\$ 1,231,378,803	\$ 639,592,121

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Vintage Year			Fund Name	ARV 06.30.2011	Outstanding Commitment
Small Middle Market Buyout International					
Mar	1997	63799396	Advent Global Private Equity III	\$ 4,548,461	\$ 20
Dec	2001	63799394	Advent Global Private Equity IV	15,334,212	-
Mar	2004	00799S95	Advent Global Private Equity V	126,687,238	10,500,000
Mar	2008	914KNT90	Advent International GPE VI-A LP	113,493,967	90,000,000
Sep	2004	00899P94	Affinity Asia Pacific Fund II, L.P.	394,255	5,288,237
Jan	2007	993ALDII	Affinity Asia Pacific Fund III, L.P.	113,896,426	87,072,249
Mar	1999	04024991	ARGUS Capital Partners	5,669,755	2,813,672
Dec	2008	10899C94	Bridgepoint Europe IV	24,455,483	47,902,668
Dec	1999	14399691	Carlyle Asia Fund	47,785,070	5,264,221
Dec	1997	14399296	Carlyle Europe Partners	1	2,359,915
Jan	2003	14399B93	Carlyle Europe Partners II	45,984,690	5,068,839
Feb	2006	14399F94	Carlyle Europe Partners III	82,454,649	50,423,555
May	2007	42999H9L	H.I.G. Europe Capital Partners L.P.	14,625,829	14,353,505
Jan	2004	42908P92	Lion Capital Fund I (HME II)	9,177,020	14,773,402
Jul	2007	53699C91	Lion Capital Fund II	54,348,480	14,374,008
Feb	2006	60899A95	Nordic Capital VI, L.P.	49,237,940	2,707,471
Dec	2007	60899B91	Nordic Capital VII	40,796,962	28,668,065
Mar	2001	71999A97	Phoenix Equity Partners IV	16,171,226	4,794,129
Sep	1999	60399691	Unitas Asia Opportunity Fund	241,928	7,207,303
Aug	2005	04599994	Unitas Asia Opportunity Fund II	118,701,333	13,847,159
Aug	2008	04599N97	Unitas Asia Opportunity Fund III	27,145,788	70,195,579
Small Middle Market Buyout International Total				\$ 911,150,714	\$ 477,613,997
Buyout Total				\$ 5,963,034,565	\$ 2,600,890,996
Fund of Funds					
Fund of Funds					
Feb	2001	19099494	CSG / DLJ Fund Program II	\$ 146,129,933	\$ 30,344,516
Nov	2004	12999491	CSG Fund Investment Program III - 2004	114,822,228	6,892,937
Oct	2006	71299B91	CSG Fund Investment Program III - 2006	100,687,327	60,715,830
Sep	2008	12999599	CSG Fund Investment Program V, L.P.	37,233,757	87,997,054
Mar	2000	23099095	DLJ Fund Investment Program I	57,449,284	1,211,634
Aug	1993	41199694	HarbourVest IV Partnership Fund LP	478,308	600,000
Jan	1997	41199693	HarbourVest Partners V - Direct Fund LP	1,038,627	-
Jan	1997	41199294	HarbourVest V Partnership	2,890,207	300,000
Jun	1999	41199692	HarbourVest VI - Direct Fund LP	10,600,057	750,000
Jun	1999	41199497	HarbourVest VI Partnership	48,196,979	3,500,000
Sep	2002	21899492	WestAm COREplus Private Equity QP	17,183,588	3,361,779
Apr	2000	84699396	WestAm Special Private Equity Partners	16,216,933	2,578,653
Fund of Funds Total				\$ 552,927,228	\$ 198,252,404
Fund of Funds International					
Jun	1995	63799392	HarbourVest Int'l II Direct	\$ 114,300	\$ -
Jun	1995	63799393	HarbourVest Int'l II Partnership	1,469,404	799,999
Mar	1998	40199293	HarbourVest Int'l III Direct	4,737,046	1,000,000
Mar	1999	63799391	HarbourVest Int'l III Partnership	18,720,968	2,000,000
Fund of Funds International Total				\$ 25,041,718	\$ 3,799,999
Fund of Funds Total				\$ 577,968,946	\$ 202,052,403

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Vintage Year			Fund Name	ARV 06.30.2011	Outstanding Commitment
Special Situations					
Co-Investment Funds					
Nov	2002	12899Q99	CSFB Fund Co-Investment Program	\$ 3,603,511	\$ 1,530,450
Sep	2002	86199X93	Glencoe Stockwell Fund	480,858,440	-
Jan	2008	86199392	Glencoe Stockwell Fund II, L.P.	109,562,007	30,726,398
Co-Investment Funds Total				\$ 594,023,958	\$ 32,256,847
Secondary International Funds					
Jun	1999	14399794	Coller International Partners III, L.P.	\$ 3,133,804	\$ 2,400,000
Jun	2002	14399895	Coller International Partners IV	45,719,872	14,000,000
Jun	2006	14499998	Coller International Partners V, L.P.	130,491,542	54,300,000
April	2011	AC100NWH	Coller International Partners VI, L.P.	-	100,000,000
Secondary International Funds Total				\$ 179,345,218	\$ 170,700,000
Global Opportunity Funds					
Aug	2006	12499J94	CCMP Capital Investors II	\$ 98,606,068	\$ 53,324,931
Dec	1999	19099497	JP Morgan Chase 1998 Pool Participation Fund	4,098,326	1,604,605
Feb	2000	19099492	JP Morgan Chase 1999/2000 Pool Participation Fund	3,701,350	4,045,424
Oct	2001	71099293	JP Morgan Partners Global Investors	56,533,064	1,934,360
Oct	2001	43399298	JPMorgan Global Investors Selldown	44,669,365	4,567,987
Jun	1998	93399395	Warburg Pincus Equity Partners, L.P.	18,957,408	-
Jun	2005	93499B91	Warburg Pincus Private Equity IX	191,697,545	-
Oct	2007	93399Y96	Warburg Pincus Private Equity X, L.P.	233,952,676	63,900,000
Global Opportunity Funds Total				\$ 652,215,802	\$ 129,377,307
Special Situations					
Jun	2002	06299A9D	Banc Fund VI	\$ 19,976,868	\$ -
Apr	2005	05999694	Banc Fund VII	24,807,447	-
May	2008	05999693	Banc Fund VIII	6,994,889	13,400,000
Jun	2008	37899B98	Glencoe Capital Michigan Opportunities Fund, LP	52,248,772	97,755,015
Jun	2008	59499X91	Michigan Growth Capital Partners, LP	93,704,725	91,981,162
Special Situations Total				\$ 197,732,700	\$ 203,136,177
Special Situations International					
Oct	2010	AC100BOU	KKR China Growth Fund	8,966,400	42,528,000
Jun	2000	94599E99	Warburg Pincus International Partners	\$ 48,264,292	\$ -
Special Situations International Total				\$ 57,230,692	\$ 42,528,000
Natural Resources					
Jul	1997	29299396	Energy Investors III	\$ 65,976	\$ -
Natural Resources Total				\$ 65,976	\$ -

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Vintage Year			Fund Name	ARV 06.30.2011	Outstanding Commitment
Distressed/Control Distressed					
Jul	2008	00699P91	Ares Corporate Opportunities Fund III, LP	\$ 56,958,496	\$ 55,712,655
May	2008	43099B96	H.I.G. Bayside Debt & LBO Fund II, LP	7,038,103	12,300,000
May	2001	12899W99	Matlin Patterson Global Opportunities Partners	890,089	20,129,090
Jun	2004	57699C92	Matlin Patterson Global Opportunities Partners II	20,347,942	92,719
Apr	2007	57699C91	Matlin Patterson Global Opportunities Partners III	58,355,475	18,000,105
Mar	2007	67699L97	OCM Opportunities Fund VII (B), L.P.	51,376,083	25,250,000
Mar	2007	993KLQ90	OCM Opportunities Fund VII, L.P.	38,565,785	-
Jan	2006	67699J93	OCM Principal Opportunities Fund IV	53,564,800	5,002,377
Jan	1995	74899195	Questor Partners Fund II	13,731,608	5,794,612
Distressed/Control Distressed Total				\$ 300,828,381	\$ 142,281,558
Distressed/Non Control Debt					
May	2007	05399G99	Avenue Special Situations Fund V, L.P.	\$ 20,625,137	\$ -
May	2010	ACI001E7	OCM Opportunities Fund VIII, L.P.	30,815,007	9,375,000
May	2010	ACI001EM	OCM Opportunities Fund VIII B, L.P.	-	37,500,000
Distressed/Non Control Debt Total				\$ 51,440,144	\$ 46,875,000
Special Situations Total				\$ 2,032,882,871	\$ 767,154,889
Hedge Fund					
Hedge Fund - Equity					
Mar	2006	40499A9Y	H.I.G. Brightpoint Capital Partners II	\$ 40,817,092	\$ -
Hedge Fund Total				\$ 40,817,092	\$ -
Liquidation Portfolio					
Liquidation Portfolio					
Jul	2006	13199J98	CSG Seasoned Primary Fund Investment Program	\$ 390,695,036	\$ 33,163,475
Equity Total				\$ 10,114,004,635	\$ 4,005,223,566
Fixed Income Funds					
Mezzanine Debt					
Mezzanine					
Oct	1999	07199196	Blackstone Mezzanine Partners	\$ 7,565,570	\$ 14,141,621
Nov	1999	23099094	DLJ Investment Partners II	2,475,001	9,910,342
Apr	2006	23099091	DLJ Investment Partners III	28,780,737	87,803,947
Dec	2000	70799496	Peninsula Capital Fund III	7,851,585	1,400,000
Sep	2005	70899A93	Peninsula Capital Fund IV	28,495,360	5,850,000
Mar	1996	87899P96	TCW/Crescent Mezzanine	1	-
Nov	1998	87899P97	TCW/Crescent Mezzanine II	1	-
Mar	2001	87299P94	TCW/Crescent Mezzanine Partners III, L.P.	9,428,654	4,621,930
Mar	2006	87399N95	TCW/Crescent Mezzanine Partners IV, L.P.	62,248,264	7,255,140
Nov	2008	999ZFK90	TCW/Crescent Mezzanine Partners V, LLC	90,322,981	65,735,734
Mezzanine Debt Total				\$ 237,168,154	\$ 196,718,714

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Vintage Year	Fund Name		ARV 06.30.2011	Outstanding Commitment
Special Situations				
Distressed/Non Control Debt				
Nov	2006	05399897	Avenue Special Situations Fund IV, L.P.	\$ 8,216,854 \$ -
Oct	2010	ACI00AOF	Avenue Special Situations Fund VI (B), L.P.	32,779,242 19,645,568
May	1998	87899P98	TCW Shared Op Fund III	2,636,648 2,781,354
Aug	2001	87899P95	TCW Shared Op Fund IV	13,608,784 4,637,341
Feb	2005	87899P93	TCW Shared Op Fund V	43,949,419 12,245,846
			Distressed/Non Control Debt Total	\$ 101,190,948 \$ 39,310,109
Special Situations Total			\$ 101,190,948	\$ 39,310,109
Hedge Fund - Debt				
Hedge Fund - Debt				
Dec	2006	05399F94	Avenue International Ltd	\$ 115,494,763 \$ -
			Hedge Fund Debt - Total	\$ 115,494,763 \$ -
Fixed Income Total			\$ 453,853,865	\$ 236,028,823
Total Alternative Investments *			\$ 10,567,858,500	\$ 4,241,252,390

* Total Alternative Investment amounts do not include Cash and Active Small Cap

Net Market Values by Ownership Entity
June 30, 2011

Fund Name	ARV	Unfunded Commitment
Accel Europe I, L.P.	\$ 17,244,178	\$ 1
Accel Europe II	21,723,834	3,300,000
Accel Growth Fund II, L.P.	-	12,000,000
Accel IX, L.P.	111,337,796	3,000,000
Accel V, L.P.	100,835	-
Accel VI, L.P.	2,921,471	-
Accel VII, L.P.	3,003,714	5,000,000
Accel VIII, L.P.	4,874,681	4,782,499
Accel VI-S	4,540,537	652,611
Accel X, L.P.	7,600,550	3,250,000
Accel XI, L.P.	-	8,000,000
Advent Global Private Equity III	4,548,461	20
Advent Global Private Equity IV	15,334,212	-
Advent Global Private Equity V	126,687,238	10,500,000
Advent International GPE VI-A LP	113,493,967	90,000,000
Affinity Asia Pacific Fund II, L.P.	394,255	5,288,237
Affinity Asia Pacific Fund III, L.P.	113,896,426	87,072,249
APA Excelsior IV, L.P.	387,015	-
APA Excelsior V	2,542,658	545,625
Apax Europe Fund VI	90,202,542	2,174,773
Apax Europe V, L.P.	13,051,579	438,073
Apax Europe VII, L.P.	134,389,882	43,495,470
Apax Excelsior VI	15,880,560	1,614,434
Apax Globis Japan Fund	1,304,323	-
Apax US VII	47,462,036	4,996,680
Arboretum Ventures II	1,320,497	1,995,096
Arboretum Ventures III, L.P.	1,425,000	13,575,000
Ares Corporate Opportunities Fund II	83,540,279	16,166,975
Ares Corporate Opportunities Fund III, LP	56,958,496	55,712,655
ARGUS Capital Partners	5,669,755	2,813,672
Austin Ventures VIII, L.P.	17,654,274	-
Avenue International Ltd	115,494,763	-
Avenue Special Situations Fund IV, L.P.	8,216,854	-
Avenue Special Situations Fund V, L.P.	20,625,137	-
Avenue Special Situations Fund VI (B), L.P.	32,779,242	19,645,568
Banc Fund VI	19,976,868	-
Banc Fund VII	24,807,447	-
Banc Fund VIII	6,994,889	13,400,000
Battery Ventures V, L.P.	452,268	-
Battery Ventures VI, L.P.	9,420,480	-
Battery Ventures VII, L.P.	14,022,532	755,556
Battery Ventures VIII	27,256,193	4,355,800
BC European Capital IX	-	104,313,263
BC European Capital VII, L.P.	38,574,838	-
BC European Capital VIII, L.P.	219,341,964	30,069,868
Berkshire Fund III, L.P.	276,240	445,104
Berkshire Fund IV, L.P.	2,322,504	1,898,016

Net Market Values by Ownership Entity
June 30, 2011

Fund Name	ARV	Unfunded Commitment
Berkshire Fund V, L.P.	6,531,752	1,900,578
Berkshire Fund VI, L.P.	60,788,364	6,376,047
Berkshire Fund VII, L.P.	106,399,334	42,019,297
Berkshire Fund VIII, L.P.	-	125,000,000
Blackstone Capital Partners IV	132,160,307	2,714,581
Blackstone Capital Partners V	211,140,754	32,556,205
Blackstone Capital Partners VI, LP	-	300,000,000
Blackstone Capital Partners V-S	20,548,009	981,082
Blackstone Mezzanine Partners	7,565,570	14,141,621
Blackstone Partners II, L.P.	43,920	936,340
Blackstone Partners III, L.P.	51,958,554	10,428,693
Bridgepoint Europe IV	24,455,483	47,902,668
Brockway Moran & Partners Fund III	6,775,869	8,305,840
Carlyle Asia Fund	47,785,070	5,264,221
Carlyle Europe Partners	1	2,359,915
Carlyle Europe Partners II	45,984,690	5,068,839
Carlyle Europe Partners III	82,454,649	50,423,555
Carlyle Partners II, L.P.	5,524,817	-
Carlyle Partners III, L.P.	15,606,564	14,184,834
Carlyle Partners IV, L.P.	182,696,459	15,798,609
Carlyle Partners V L.P.	181,455,417	130,951,175
Castle Harlan Partners III, L.P.	4,203,503	545,932
Castle Harlan Partners IV	10,765,911	10,572,075
Castle Harlan Partners V	19,342,041	53,278,581
CCMP Capital Investors II	98,606,068	53,324,931
Clarus Life Sciences II, L.P.	24,458,259	27,325,000
Clarus Lifesciences I	26,335,594	6,988,800
Clearstone Venture Partners (idealab)	439,800	-
Clearstone Venture Partners II (idealab)	8,030,400	-
Clearstone Venture Partners III	21,054,375	1,612,000
CMEA Ventures VI	19,792,215	2,750,000
CMEA Ventures VII, L.P.	18,981,302	16,000,000
Coller International Partners III, L.P.	3,133,804	2,400,000
Coller International Partners IV	45,719,872	14,000,000
Coller International Partners V, L.P.	130,491,542	54,300,000
Coller International Partners VI, L.P.	-	100,000,000
CSFB Fund Co-Investment Program	3,603,511	1,530,450
CSG / DLJ Fund Program II	146,129,933	30,344,516
CSG Fund Investment Program III - 2004	114,822,228	6,892,937
CSG Fund Investment Program III - 2006	100,687,327	60,715,830
CSG Fund Investment Program V, L.P.	37,233,757	87,997,054
CSG Seasoned Primary Fund Investment Program	390,695,036	33,163,475
DLJ Fund Investment Program I	57,449,284	1,211,634
DLJ Investment Partners II	2,475,001	9,910,342
DLJ Investment Partners III	28,780,737	87,803,947
DLJ Merchant Banking Partners III, L.P.	42,931,845	3,262,075
DLJ Merchant Banking Ptrs II, L.P.	4,436,911	1,856,746
Doughty Hanson & Co IV	137,117,046	5,357,250
Doughty Hanson & Co V	120,926,930	86,956,545
Doughty Hanson Co. III L.P.	50,250,552	3,993,444

Net Market Values by Ownership Entity
June 30, 2011

Fund Name	ARV	Unfunded Commitment
EDF Ventures III	4,651,580	602,426
Energy Investors III	65,976	-
Essex Woodlands Health IV	3,757,516	-
Essex Woodlands Health V	13,178,057	-
Essex Woodlands Health Ventures Fund VIII	24,658,829	44,250,000
Essex Woodlands Health VI	17,544,897	1,812,500
Essex Woodlands Health VII	79,391,259	12,000,000
FirstMark Capital Fund II (fka: Pequot PEFII)	1,473,841	-
FirstMark Capital III (fka: Pequot PEFIII)	18,935,852	284,000
FirstMark Capital IV (fka: Pequot PEFIV)	16,867,756	1,572,768
Flagship Ventures Fund 2004	24,895,303	650,000
Flagship Ventures Fund 2007, L.P.	23,879,506	9,225,000
Flagship Ventures Fund IV, L.P.	810,481	14,062,500
Fox Paine Capital Fund II, LP	46,701,113	16,533,384
Frontenac VII	105,099	-
Frontenac VIII	12,614,643	1,017,776
Glencoe Capital Michigan Opportunities Fund, LP	52,248,772	97,755,015
Glencoe Capital Partners II	6,403,143	355,381
Glencoe Capital Partners III	12,628,325	6,277,979
Glencoe Stockwell Fund	480,858,440	-
Glencoe Stockwell Fund II, L.P.	109,562,007	30,726,398
Globespan Capital Partners IV (Jafco)	17,242,223	1,485,000
Globespan Capital Partners V, LP	50,781,848	19,050,000
Green Equity Investors III	9,311,993	8,978,083
Green Equity Investors IV	94,629,761	2,305,568
Green Equity Investors V	240,139,319	85,159,868
Grotech Partners V	2,647,207	-
Grotech Partners VI	16,358,456	-
H.I.G. Bayside Debt & LBO Fund II, LP	7,038,103	12,300,000
H.I.G. Brightpoint Capital Partners II	40,817,092	-
H.I.G. Capital Partners IV, L.P.	13,475,599	11,374,167
H.I.G. Europe Capital Partners L.P.	14,625,829	14,353,505
HarbourVest Int'l II Direct	114,300	-
HarbourVest Int'l II Partnership	1,469,404	799,999
HarbourVest Int'l III Direct	4,737,046	1,000,000
HarbourVest Int'l III Partnership	18,720,968	2,000,000
HarbourVest IV Partnership Fund LP	478,308	600,000
HarbourVest Partners V - Direct Fund LP	1,038,627	-
HarbourVest V Partnership	2,890,207	300,000
HarbourVest VI - Direct Fund LP	10,600,057	750,000
HarbourVest VI Partnership	48,196,979	3,500,000
Healthcare Venture III	28,430	-
Healthcare Venture V	2,058,039	-
Healthcare Venture VI	959,054	-
Healthcare Venture VII	10,335,389	712,500
Healthcare Venture VIII	19,074,918	14,260,000
InterWest Partners IX	9,900,175	4,000,000
JAFCO America Technology Fund III	3,362,038	-
JP Morgan Chase 1998 Pool Participation Fund	4,098,326	1,604,605
JP Morgan Chase 1999/2000 Pool Participation Fund	3,701,350	4,045,424

Net Market Values by Ownership Entity
June 30, 2011

Fund Name	ARV	Unfunded Commitment
JP Morgan Partners Global Investors	56,533,064	1,934,360
JPMorgan Global Investors Selldown	44,669,365	4,567,987
Kelso Investment Associates VII	94,449,433	6,328,269
Kelso Investment Associates VIII	49,597,209	95,217,908
Khosla Ventures III, L.P.	33,242,494	18,250,000
Khosla Ventures IV, L.P.	-	50,000,000
KKR 1987 Fund	6,137,670	-
KKR 1993 Fund	1,060,999	-
KKR 1996 Fund	16,468,296	-
KKR 1996 Secondary Fund	2,058,291	10,841
KKR 2006 Fund, L.P.	242,950,996	61,799,000
KKR Asia	90,812,004	28,272,000
KKR China Growth Fund	8,966,400	42,528,000
KKR E2 Investors (Annex) Fund	9,613,127	19,382,079
KKR European Fund II	113,822,805	-
KKR European Fund III	51,080,266	75,530,921
KKR European Fund LP 1	93,208,893	307,605
KKR Millennium Fund	239,488,127	-
Lightspeed Venture Partners VI	12,773,164	3,299,089
Lightspeed Venture Partners VII	29,794,329	5,585,436
Lion Capital Fund I (HME II)	9,177,020	14,773,402
Lion Capital Fund II	54,348,480	14,374,008
Lion Capital Fund III, L.P.	27,035,179	47,190,543
Long Point Capital Fund	2,747,849	1,630,617
Long Point Capital Fund II	8,339,744	1,720,302
Matlin Patterson Global Opportunities Partners	890,089	20,129,090
MatlinPatterson Global Opportunities Partners II	20,347,942	92,719
MatlinPatterson Global Opportunities Partners III	58,355,475	18,000,105
Menlo Ventures IX, L.P.	16,267,046	-
Menlo Ventures VII	588,005	-
Menlo Ventures VIII	2,975,202	-
Menlo Ventures X, L.P.	20,105,979	12,000,000
Menlo Ventures XI, L.P.	-	20,000,000
MeriTech Capital Partners II, L.P.	8,575,556	2,150,000
Meritech Capital Partners III, L.P.	104,057,000	1,200,000
Meritech Capital Partners IV, L.P.	2,443,022	17,500,000
MeriTech Capital Partners, L.P.	4,020,612	6,187,500
Michigan Growth Capital Partners, LP	93,704,725	91,981,162
MPM BioVentures III	9,469,539	575,000
New Leaf Ventures II, L.P.	11,106,340	20,650,000
Nordic Capital VI, L.P.	49,237,940	2,707,471
Nordic Capital VII	40,796,962	28,668,065
North Castle Partners III	5,636,820	139,722
NV Partners II	2,745,486	479,147
Oak Investment Partners X, L.P.	18,677,151	-
Oak Investments Partners IX, L.P.	3,426,252	-
OCM Opportunities Fund VII (B), L.P.	51,376,083	25,250,000
OCM Opportunities Fund VII, L.P.	38,565,785	-
OCM Opportunities Fund VIII B, L.P.	-	37,500,000
OCM Opportunities Fund VIII, L.P.	30,815,007	9,375,000

Net Market Values by Ownership Entity
June 30, 2011

Fund Name	ARV	Unfunded Commitment
OCM Principal Opportunities Fund IV	53,564,800	5,002,377
One Liberty Fund III	645,675	-
One Liberty Fund IV	1,649,993	-
One Liberty Ventures 2000	11,035,301	-
Paine & Partners Capital Fund III, LP	82,909,828	60,752,144
Parthenon Investors	2,837,102	96,798
Parthenon Investors II	20,995,157	3,417,779
Parthenon Investors III	66,123,304	15,497,846
Peninsula Capital Fund III	7,851,585	1,400,000
Peninsula Capital Fund IV	28,495,360	5,850,000
Permira Europe III LP	8,236,689	369,712
Permira Europe IV	111,490,422	29,866,889
Phoenix Equity Partners IV	16,171,226	4,794,129
Primus Capital Fund IV	572,326	500,000
Primus Capital Fund V	14,799,483	712,500
Providence Equity Partners V, L.P.	141,509,348	13,385,460
Providence Equity Partners VI, L.P.	229,357,113	77,824,546
Questor Partners Fund II	13,731,608	5,794,612
RFE Investment Partners VII, LP	15,299,594	7,363,332
RFE IV Venture	610,787	-
RFE V Ventures	359,498	397,091
RFE VI Ventures	1,231,335	3,211,623
Riverside Micro Cap Fund I, LP	62,505,856	3,086,740
Silver Lake Partners II	20,408,951	3,676,533
Silver Lake Partners III	69,656,205	56,000,981
Sprout Capital IX	6,709,282	-
Sprout Capital VII	2,814,433	-
Sprout Capital VIII, L.P.	3,031,111	-
TCW Shared Op Fund III	2,636,648	2,781,354
TCW Shared Op Fund IV	13,608,784	4,637,341
TCW Shared Op Fund V	43,949,419	12,245,846
TCW/Crescent Mezzanine	1	-
TCW/Crescent Mezzanine II	1	-
TCW/Crescent Mezzanine Partners III, L.P.	9,428,654	4,621,930
TCW/Crescent Mezzanine Partners IV, L.P.	62,248,264	7,255,140
TCW/Crescent Mezzanine Partners V, LLC	90,322,981	65,735,734
The Huron Fund III, L.P.	11,266,866	21,772,500
The Shansby Group 4	43,261,218	1,166,257
The Shansby Group 5 (TSG5)	96,381,171	39,851,192
TPG IV (Texas Pacific Group IV)	43,580,276	1,317,112
TPG Partners II, LP	30,535	4,740,475
TPG Partners III, LP	44,756,081	34,283,293
TPG Partners VI, L.P.	117,948,007	142,091,204
TPG V (Texas Pacific Group V)	174,294,208	12,006,789
Tullis - Dickerson Capital II	6,433,964	-
Tullis - Dickerson Capital III	12,027,679	-
Unitas Asia Opportunity Fund	241,928	7,207,303
Unitas Asia Opportunity Fund II	118,701,333	13,847,159
Unitas Asia Opportunity Fund III	27,145,788	70,195,579

Net Market Values by Ownership Entity
June 30, 2011

Fund Name	ARV	Unfunded Commitment
Warburg Pincus Equity Partners, L.P.	18,957,408	-
Warburg Pincus International Partners	48,264,292	-
Warburg Pincus Private Equity IX	191,697,545	-
Warburg Pincus Private Equity VIII, L.P.	73,002,351	-
Warburg Pincus Private Equity X, L.P.	233,952,676	63,900,000
Warburg Pincus Ventures Int'l	415,258	-
Warburg Pincus Ventures, L.P.	227,303	-
Weiss, Peck & Greer V (adm: Opus Capital)	7,748,616	386,240
WestAm COREplus Private Equity QP	17,183,588	3,361,779
WestAm Special Private Equity Partners	16,216,933	2,578,653
Wind Point Partners III	599,237	-
Wind Point Partners IV	41,347,727	1,541,518
Wind Point Partners V, L.P.	13,435,016	1,609,935
Wind Point Partners VI	57,724,876	8,382,764
Wind Point Partners VII	22,772,196	49,078,097
Total Alternative Investments *	\$ 10,567,858,500	\$ 4,241,252,390

* Total Alternative Investment amounts do not include Cash and Active Small Cap

**STATE OF MICHIGAN
RETIREMENT SYSTEMS**

ABSOLUTE AND REAL RETURN REVIEW

INVESTMENT ADVISORY COMMITTEE MEETING

SEPTEMBER 1, 2011



**James L. Elkins, Administrator
Short Term Fixed Income, Absolute and Real Return Division**

EXECUTIVE SUMMARY

Absolute Return

Portfolio Performance

- Year to date the overall portfolio has outperformed the absolute benchmark by nearly 75 bps and performed well compared to many different strategy benchmarks. The biggest drag to performance for the quarter came from the FMSP holding, which was winding down their portfolio.

Strategy Overview

- Arbitrage - Event driven managers were mixed during the quarter, with the most significant stress coming from credits of European financials that sold off as a result of the Greek bailout concerns. Convertible Arbitrage was down during the quarter as a result of selling pressure that widened the spreads of the strategy. Fixed income arbitrage generated gains during the quarter as managers continue to see opportunities in structured credit positions.
- Credit/Distressed - Managers saw gains as a select group of large defaulted and restructured credits all made progress during the quarter. June's volatility erased much of early returns in the quarter as risk premiums rose on many performing credits.
- Long/Short Equity - Managers delivered mixed performance during the volatile quarter as investors de-risked during May and June. Long positions in consumer-oriented companies and short positions in alternative energy produced the most notable gains for the portfolio, while long positions in financials and energy stocks detracted from performance.

Current Events

- We made a full redemption request from the FrontPoint Michigan Strategic Partnership Fund I.
- We are nearing the end of our core fund-of-fund manager search as we look to build towards our target allocation. We will also continue to add single strategy hedge fund managers or strategy specific fund-of-fund managers to provide desired exposures to the portfolio.

Real Return & Opportunistic

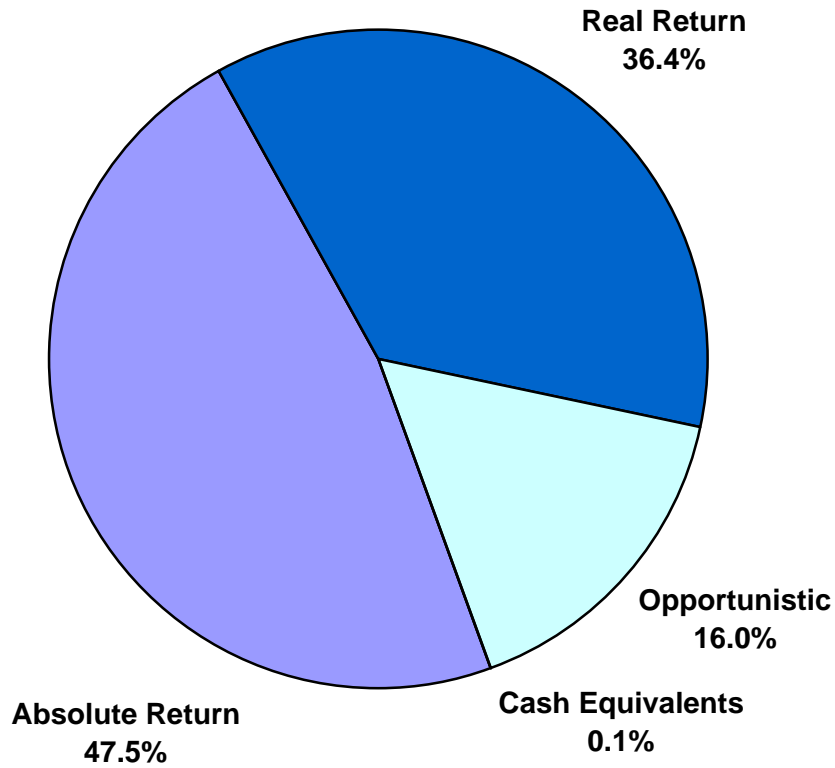
- Enhanced passive commodity strategies continue to outperform the benchmark this year with nearly 125 bps of outperformance for the quarter. Commodity markets have fallen in with all other assets to the risk on - risk off trading. As we wrestle with new macro data on global growth, it will have a big impact on how to position the portfolio for the future.
- Direct lending managers continue to see a very robust new deal pipeline. Quality borrowers, who are too small to access debt markets are still having difficulty finding a good credit source.
- We have been reviewing partnerships with focused strategies in the real return portfolio. We will look to complement our more liquid strategies with investments in real assets and infrastructure.



SMRS

Absolute and Real Return

6/30/2011



Market Value in Millions				
	6/30/2011		3/31/2011	
Absolute Return	\$1,268	47.5%	\$1,312	50.7%
Real Return	972	36.4%	922	35.7%
Opportunistic	427	16.0%	340	13.1%
Cash Equivalents	3	0.1%	12	0.5%
Total Investments	\$2,670	100.0%	\$2,586	100.0%

ABSOLUTE AND REAL RETURN

As of June 30, 2011

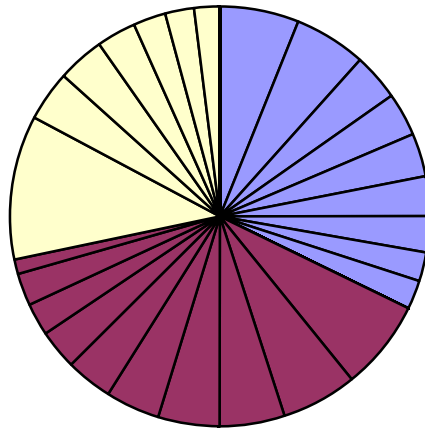
Absolute Return Portfolio Summary

<u>Advisor/Fund Name</u>	<u>Net Market Value</u>
Aetos - Sand Hill, LLC	\$768,480,641
FrontPoint Michigan Strategic Partnership Fund	367,440,268
Stone Tower Credit Strategies Fund	103,402,919
PSAM - Spartan Fund	28,611,061
Total Market Value	<u><u>\$1,267,934,889</u></u>

ABSOLUTE AND REAL RETURN

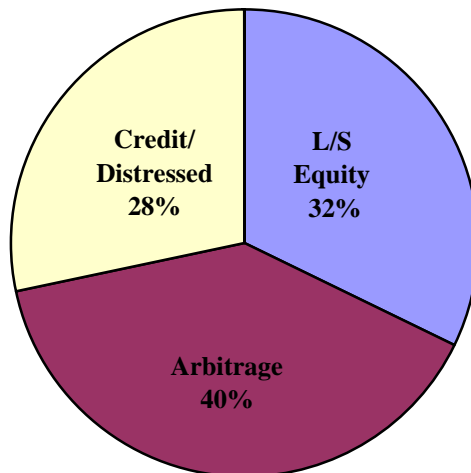
As of June 30, 2011

Absolute Return - Investments By Manager



Underlying Managers:	26	Median Position Size:	2.4%
Strategies:	3	Average Position Size:	2.4%
Relationships:	4	Largest Position Size:	11.2%

Absolute Return - Investments By Strategy



HFRI Indices Annual Investment Returns (1998 – YTD Q2 2011)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	YTD Q2 2011
S&P 500	28.59%	55.86%	18.02%	13.37%	12.10%	39.36%	18.89%	21.04%	24.26%	24.92%	6.09%	60.17%	15.08%	S&P 500 6.01%
HFRI Equity Hedge	15.98%	44.22%	14.56%	13.28%	9.05%	29.56%	18.42%	10.60%	15.94%	11.11%	4.83%	40.24%	13.07%	HFRI ED: Distressed 4.09%
HFRI EH: Eq	12.00%	31.29%	14.50%	12.18%	7.44%	28.67%	15.01%	9.30%	15.78%	10.48%	-5.36%	28.13%	11.96%	HFRI Relative Value 3.12%
HFRI RV: ConvertArb	8.30%	26.47%	13.41%	10.36%	5.44%	25.33%	10.86%	8.27%	15.33%	10.25%	-5.93%	26.47%	11.73%	HFRI Relative Value 2.99%
HFRI RV: ConvertArb	7.77%	24.33%	13.27%	9.40%	5.28%	21.42%	9.03%	7.49%	14.24%	9.96%	-18.04%	25.80%	11.53%	HFRI Relative Value 2.75%
HFRI ED: Merger Arb	7.23%	21.03%	9.09%	8.92%	3.70%	20.54%	7.68%	7.29%	12.89%	8.94%	-19.02%	25.04%	11.26%	HFRI ED: Merger Arb 2.19%
HFRI Macro	6.19%	17.62%	6.74%	6.87%	1.02%	19.55%	6.86%	6.79%	12.37%	7.75%	-21.36%	24.55%	10.58%	HFRI EH: Eq 1.61%
HFRI Relative Value	2.81%	16.94%	4.98%	6.71%	0.98%	11.61%	5.58%	6.25%	12.17%	7.05%	-21.82%	19.98%	10.49%	HFRI Equity Hedge 1.07%
HFRI Fund Wghtd Comp	2.62%	14.73%	4.07%	4.62%	-0.87%	9.93%	4.63%	6.22%	11.71%	6.61%	-25.20%	11.63%	8.61%	HFRI RV: ConvertArb 0.80%
HFRI Event-Driven	1.70%	14.41%	2.78%	2.80%	-1.45%	9.72%	4.54%	6.02%	10.39%	5.49%	-26.65%	11.46%	6.99%	HFRI Fund Wghtd Comp 0.77%
HFRI ED: Distressed	-4.23%	14.34%	1.97%	2.76%	-4.30%	7.47%	4.08%	4.91%	8.15%	5.33%	-33.71%	4.81%	5.60%	HFRI Emerging Markets -0.16%
HFRI FOF Composite	-5.11%	7.09%	-9.09%	0.40%	-4.71%	5.07%	4.08%	2.55%	7.32%	5.29%	-36.99%	4.37%	4.60%	HFRI ED: Merger Arb -0.33%
HFRI Emerging Markets	-32.96%	-2.40%	-10.71%	-11.85%	-22.09%	2.44%	1.18%	-1.86%	4.07%	5.08%	-37.26%	1.43%	3.16%	HFRI EH: Eq -2.25%

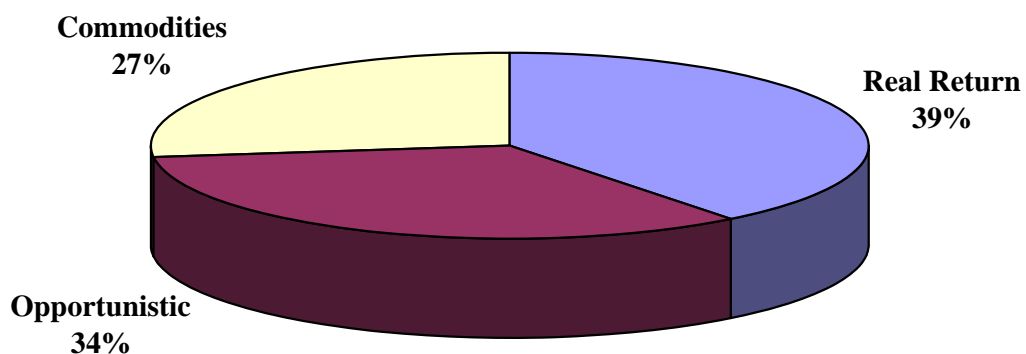
ABSOLUTE AND REAL RETURN

As of June 30, 2011

Real Return & Opportunistic Portfolio Summary

<u>Advisor/Fund Name</u>	<u>Net Market Value</u>	<u>Unfunded Commitment</u>
Barclay's Enhanced Passive Commodities	\$377,404,102	
Stone Tower Capital Credit Fund	270,639,863	
SJC Direct Lending Fund	174,892,129	75,107,871
Special Situations Fund I	163,948,438	
Galaxie Ave., LLC	104,267,664	
Fairfield Settlement Partners, LLC	89,537,194	35,462,806
HPS Senior Loan Fund II	86,640,736	113,359,264
Abernathy Fund I, LLC	71,751,001	163,248,999
Lakewater, LLC	62,002,961	87,997,039
JP Morgan Global Maritime Fund	0	125,000,000
Total Market Value	<u><u>\$1,401,084,088</u></u>	<u><u>\$600,175,979</u></u>

Investments By Strategy



**STATE OF MICHIGAN
RETIREMENT SYSTEMS**

**ACTIVE DOMESTIC EQUITY
REVIEW**

INVESTMENT ADVISORY COMMITTEE MEETING

SEPTEMBER 1, 2011



**Jack A. Behar, CFA, Administrator
Stock Analysis Division**

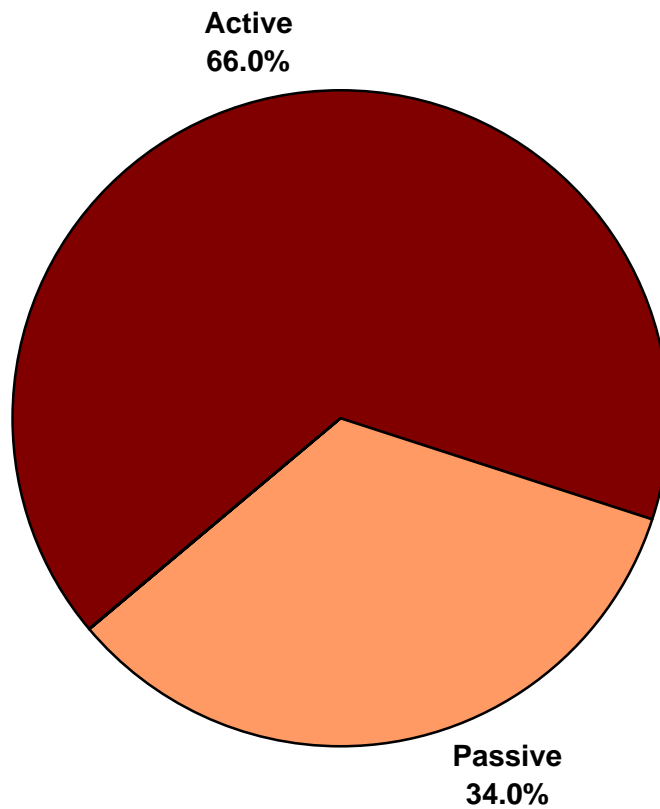
EXECUTIVE SUMMARY

- Equity markets continue to look attractive relative to long term bonds, with the S&P 500 poised to return close to 9.5% over the long term versus the 30-year Treasury at 4.4%.
- Within equities, large-cap stocks continue to look undervalued relative to small cap and mid cap. The normalized PE for the S&P 500 is estimated to be roughly 15.5X versus the S&P 600 at nearly 22X.
- From a sector standpoint, large-cap technology stocks are a good value. Technology companies have solid balance sheets, healthy margins, stronger growth than the S&P 500, and yet are trading at nearly a market multiple.
- Internal portfolios delivering higher normalized levels of both dividend yield and earnings yield than the S&P 500, with similar long term growth prospects and slightly less risk.



SMRS

Domestic Equity Holdings By Category 6/30/11

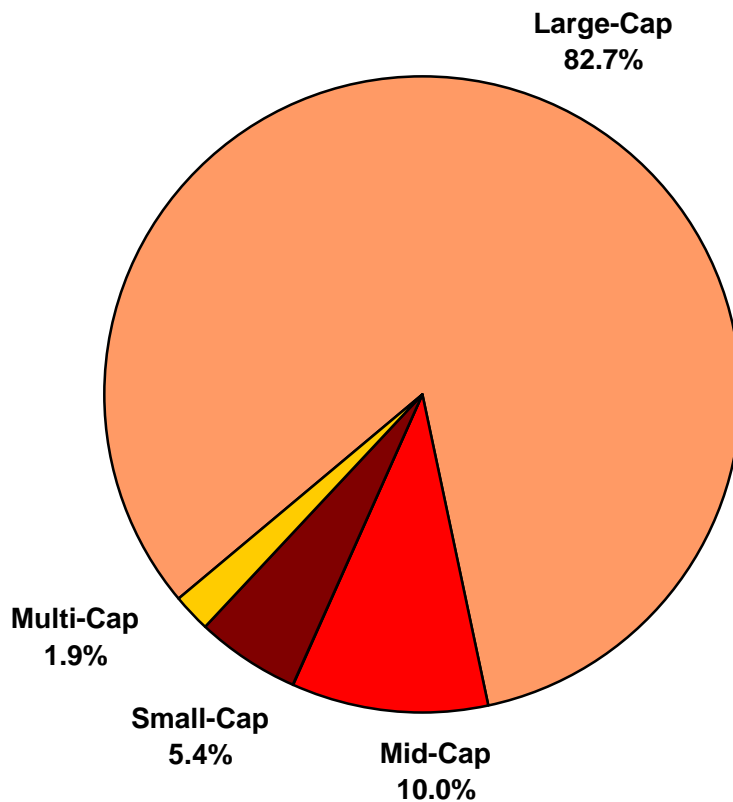


Market Value in Millions				
	<u>6/30/2011</u>		<u>3/31/2011</u>	
Active	\$11,863	66.0%	\$11,945	66.2%
Passive	6,108	34.0%	6,104	33.8%
Total Domestic Equity	\$17,971	100.0%	\$18,049	100.0%



SMRS

Domestic Equity Holdings By Category 6/30/11



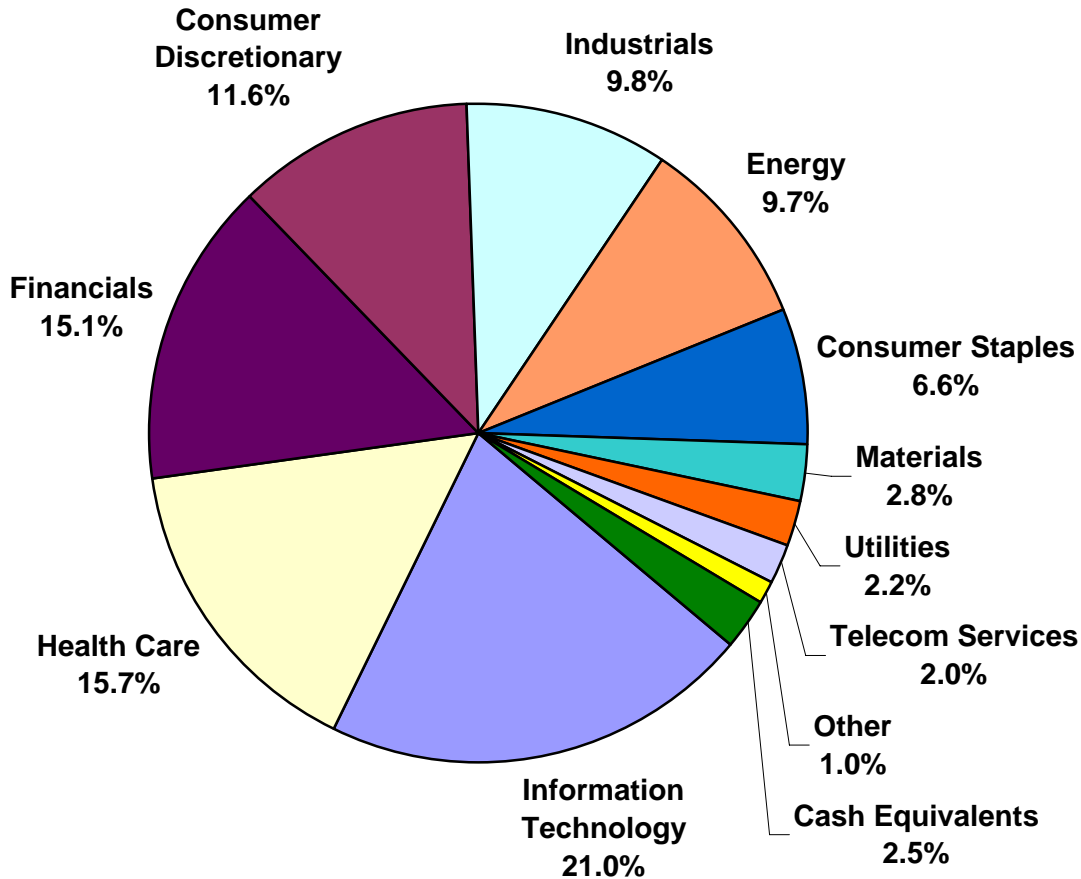
Market Value in Millions				
	6/30/2011		3/31/2011	
Large-Cap	\$14,869	82.7%	\$14,929	82.7%
Mid-Cap	1,804	10.0%	1,802	10.0%
Small-Cap	961	5.4%	981	5.4%
Multi-Cap	337	1.9%	337	1.9%
Total Domestic Equity	\$17,971	100.0%	\$18,049	100.0%



SMRS

All Domestic Equity Holdings By Category

6/30/2011



	Market Value in Millions			
	6/30/2011		3/31/2011	
Information Technology	\$3,770	21.0%	\$3,628	20.1%
Health Care	2,823	15.7%	2,824	15.7%
Financials	2,719	15.1%	2,847	15.8%
Consumer Discretionary	2,086	11.6%	2,040	11.3%
Industrials	1,759	9.8%	1,722	9.5%
Energy	1,744	9.7%	1,961	10.9%
Consumer Staples	1,184	6.6%	1,190	6.6%
Materials	514	2.8%	507	2.8%
Utilities	391	2.2%	377	2.1%
Telecom Services	357	2.0%	362	2.0%
Other	179	1.0%	166	0.9%
Total Investments	\$17,526	97.5%	\$17,624	97.7%
Cash Equivalents	445	2.5%	424	2.3%
Total	\$17,971	100.0%	\$18,048	100.0%

ALL DOMESTIC EQUITIES COMPOSITE

Date:	<u>6/30/2011</u>	<u>3/31/2011</u>	<u>12/31/2010</u>	<u>9/30/2010</u>
Assets (\$million):	\$17,971	\$18,049	\$17,570	\$16,905
Number of Securities:	1,436	1,413	1,435	1,439
Benchmark:	S&P 1500			
Description:	The Actively Managed Composite is designed to add consistent alpha by investing in managers with value-added, but diverse strategies. While the expectation is that most will outperform over time, the composite is designed such that they do so during differing parts of the business cycle.			

Characteristics:	<u>SMRS</u>	<u>S&P 1500</u>
Weighted Average Capitalization (\$billion):	\$70.8	\$79.0
Trailing 12-month P/E:	14.9x	15.0x
Forecast P/E:	13.2x	13.7x
Price/Book:	2.0x	2.1x
Beta:	1.03	1.03
Dividend Yield:	1.6%	1.9%
3-5 Year EPS Growth Estimate:	11.5%	10.9%
Return on Equity:	19.3%	20.1%

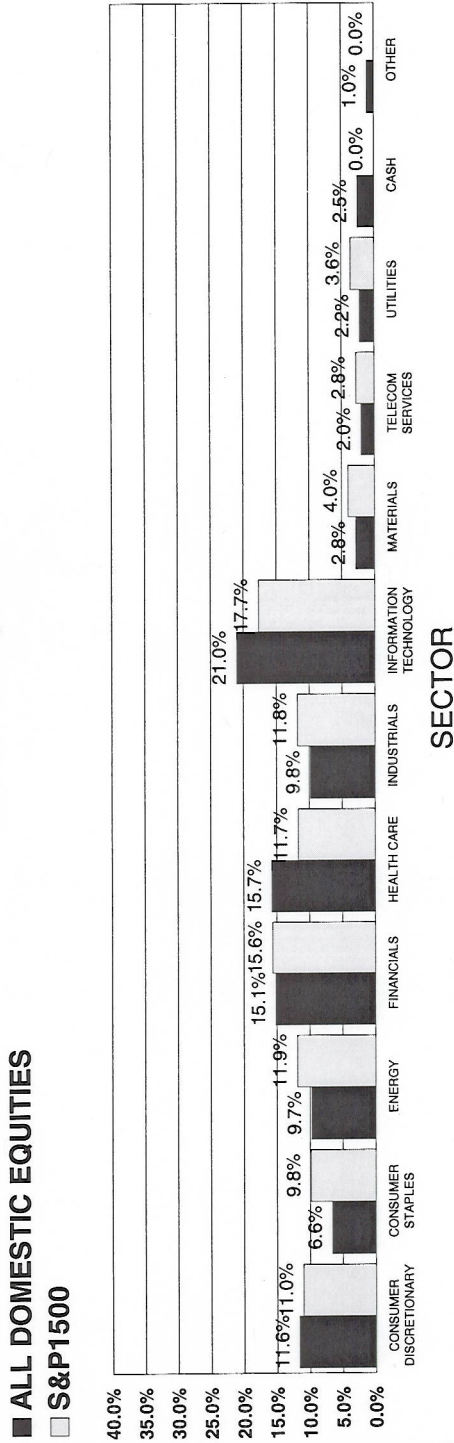
TOP TEN HOLDINGS - All Actively Managed 6/30/2011

	<u>Portfolio Weight</u>	<u>Total Shares</u>	<u>6/30/2011 Price</u>	<u>YTD11 Total Return</u>	<u>Market Value</u>
Apple Inc.	2.80%	1,497,593	\$335.67	4.06%	\$502,697,042
Google Inc. Cl A	1.87%	663,638	\$506.38	-14.75%	\$336,053,010
Johnson & Johnson	1.84%	4,965,059	\$66.52	9.47%	\$330,275,725
Bank of America Corp.	1.46%	23,866,046	\$10.96	-17.71%	\$261,571,864
Exxon Mobil Corp.	1.44%	3,162,110	\$81.38	12.53%	\$257,332,512
Pfizer Inc.	1.38%	12,026,372	\$20.60	20.04%	\$247,743,263
Abbott Laboratories	1.33%	4,548,750	\$52.62	11.90%	\$239,355,225
Merck & Co. Inc.	1.32%	6,710,204	\$35.29	0.12%	\$236,803,099
Hewlett-Packard Co.	1.31%	6,450,229	\$36.40	-13.07%	\$234,788,336
Morgan Stanley	<u>1.27%</u>	9,870,463	\$23.01	-15.13%	<u>\$227,119,354</u>
TOTAL	<u>16.03%</u>				<u>\$2,873,739,430</u>

06/30/11
\$17,970.69
(\$ MILLION)

SMRS
All Domestic Equities Composite
Sector Analysis

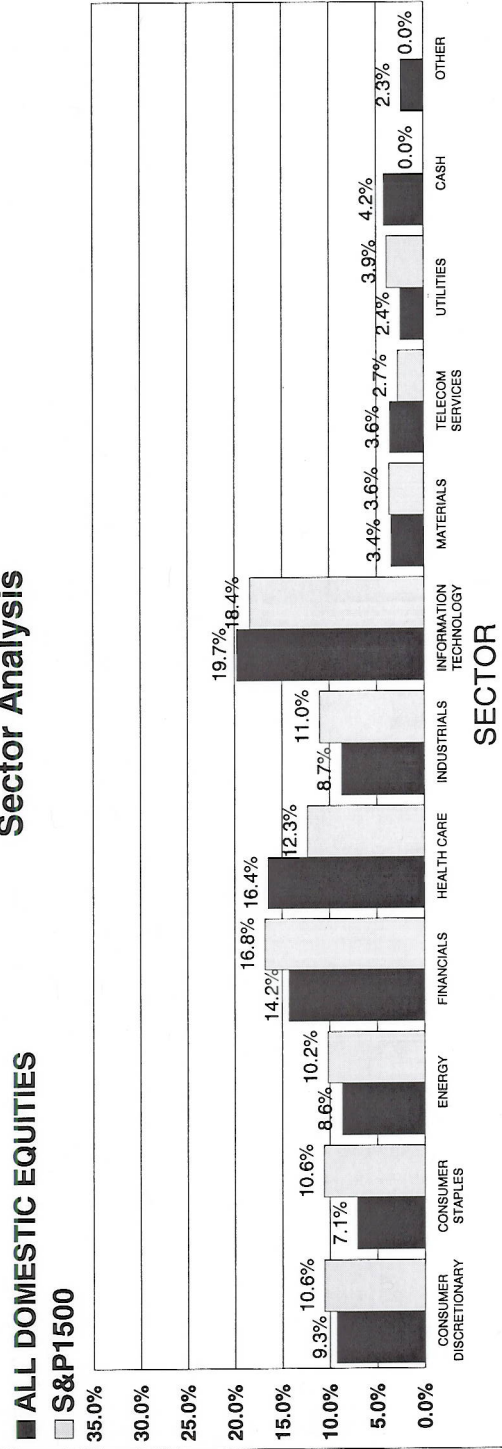
6/30/11



06/30/10
\$15,954.81
(\$ MILLION)

SMRS
All Domestic Equities Composite
Sector Analysis

6/30/10

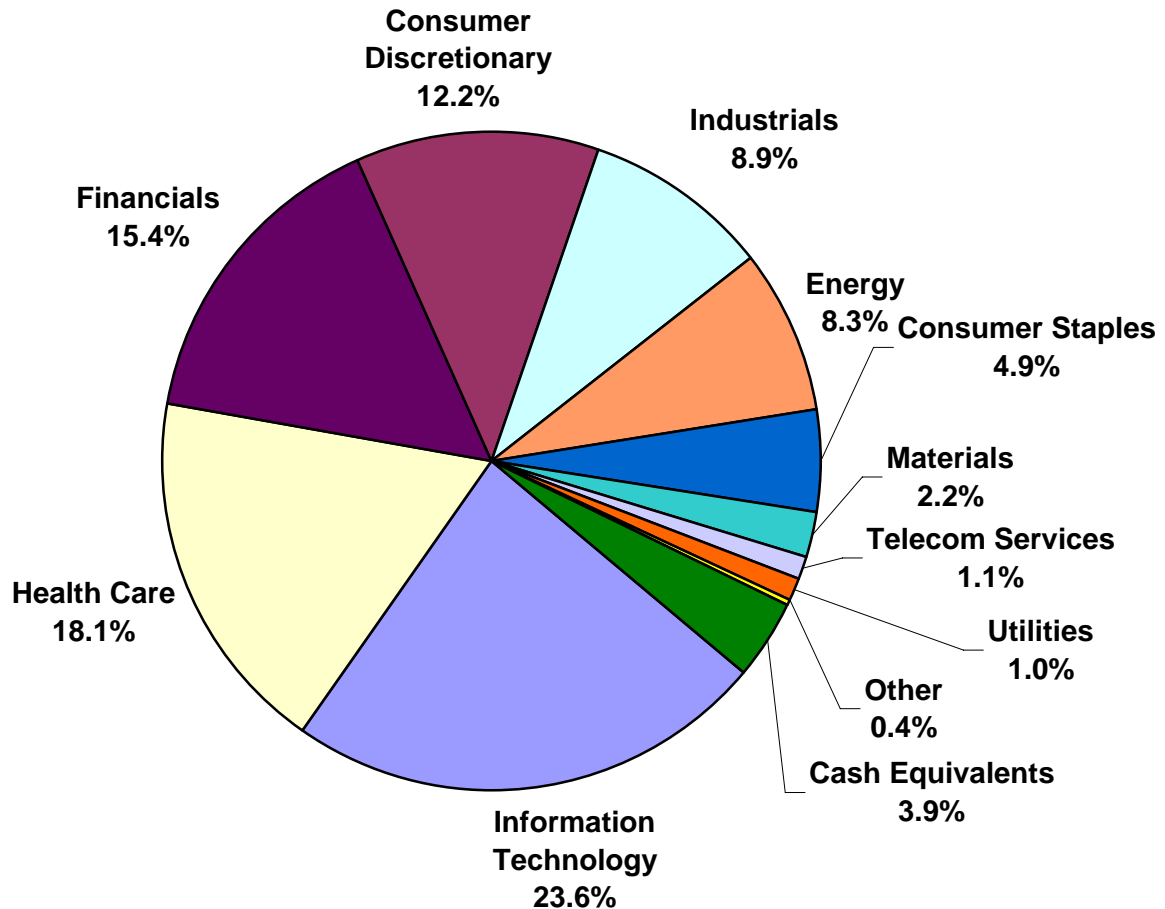




SMRS

All Active Domestic Equity Holdings By Category

6/30/2011



	Market Value in Millions			
	6/30/2011		3/31/2011	
Information Technology	\$2,799	23.6%	\$2,632	22.0%
Health Care	2,146	18.1%	2,195	18.4%
Financials	1,828	15.4%	1,914	16.0%
Consumer Discretionary	1,449	12.2%	1,423	11.9%
Industrials	1,059	8.9%	1,015	8.5%
Energy	986	8.3%	1,177	9.9%
Consumer Staples	579	4.9%	613	5.1%
Materials	260	2.2%	254	2.1%
Telecom Services	135	1.1%	134	1.1%
Utilities	119	1.0%	113	1.0%
Other	43	0.4%	36	0.3%
Total Investments	\$11,403	96.1%	\$11,506	96.3%
Cash Equivalents	460	3.9%	438	3.7%
Total	\$11,863	100.0%	\$11,944	100.0%

ALL ACTIVELY MANAGED COMPOSITE

Date:	<u>6/30/2011</u>	<u>3/31/2011</u>	<u>12/31/2010</u>	<u>9/30/2010</u>
Assets (\$million):	\$11,863	\$11,944	\$11,616	\$11,030
Number of Securities:	1,112	1,107	1,128	1,145
Benchmark:	S&P 1500			
Description:	The Actively Managed Composite is designed to add consistent alpha by investing in managers with value-added, but diverse strategies. While the expectation is that most will outperform over time, the composite is designed such that they do so during differing parts of the business cycle.			

Characteristics:	<u>SMRS</u>	<u>S&P 1500</u>
Weighted Average Capitalization (\$billion):	\$65.7	\$79.2
Trailing 12-month P/E:	14.7x	15.4x
Forecast P/E:	13.0x	13.7x
Price/Book:	1.9x	2.2x
Beta:	1.04	1.03
Dividend Yield:	1.4%	1.9%
3-5 Year EPS Growth Estimate:	12.1%	10.9%
Return on Equity:	18.6%	19.9%

TOP TEN HOLDINGS - All Actively Managed
6/30/2011

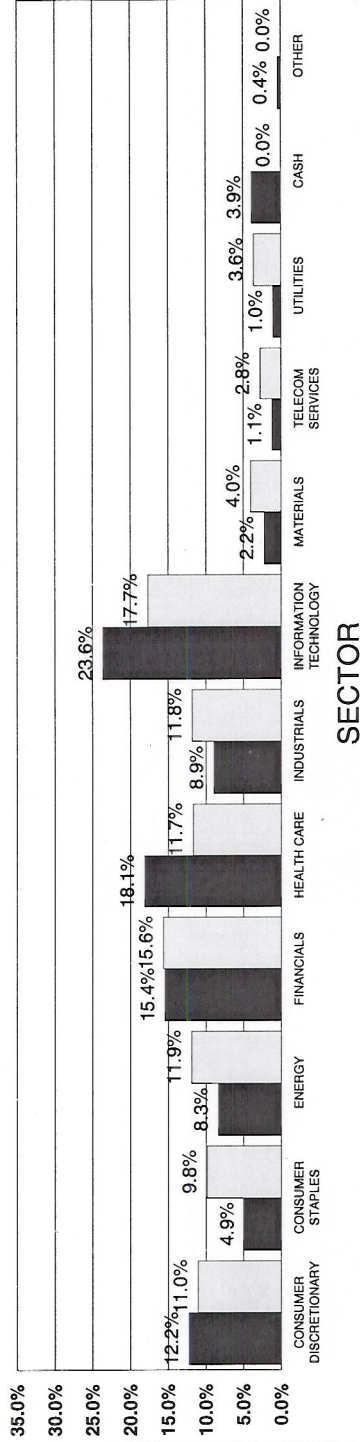
	<u>Portfolio Weight</u>	<u>Total Shares</u>	<u>6/30/2011 Price</u>	<u>YTD11 Total Return</u>	<u>Market Value</u>
Apple Inc.	3.08%	1,083,896	\$335.67	8.04%	\$363,831,370
Google Inc. Cl A	2.36%	551,134	\$506.38	-1.21%	\$279,083,235
Johnson & Johnson	2.11%	3,748,928	\$66.52	-3.34%	\$249,378,691
Morgan Stanley	1.79%	9,179,400	\$23.01	0.57%	\$211,217,994
Bank of America Corp.	1.76%	18,951,129	\$10.96	0.00%	\$207,704,374
Hewlett-Packard Co.	1.70%	5,522,230	\$36.40	-2.50%	\$201,009,172
Abbott Laboratories	1.67%	3,745,325	\$52.62	3.33%	\$197,079,002
UnitedHealth Group Inc.	1.64%	3,766,350	\$51.58	25.52%	\$194,268,333
Amgen Inc.	1.61%	3,266,219	\$58.35	-2.64%	\$190,583,879
Visa Inc.	<u>1.54%</u>	2,158,784	\$84.26	4.82%	<u>\$181,899,140</u>
TOTAL	<u>19.25%</u>				<u>\$2,276,055,189</u>

06/30/11
 \$11,862.52
 (\$ MILLION)

6/30/11

SMRS
Total Active Equities Composite
Sector Analysis

■ TOTAL ACTIVE EQUITIES
 □ S&P1500

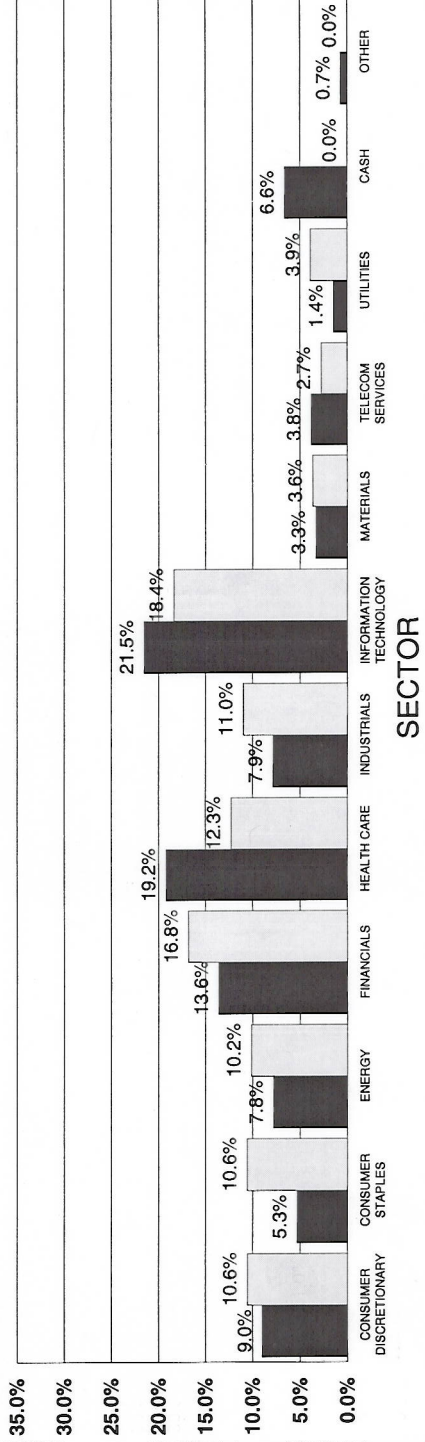


06/30/10
 \$10,298.53
 (\$ MILLION)

6/30/10

SMRS
Total Active Equities Composite
Sector Analysis

■ TOTAL ACTIVE EQUITIES
 □ S&P1500



SMRS LARGE-CAP INTERNAL ACTIVE COMPOSITE

Date:	<u>6/30/2011</u>	<u>3/31/2011</u>	<u>12/31/2010</u>	<u>9/30/2010</u>
Assets (\$million):	\$7,238	\$7,331	\$7,042	\$6,682
Number of Securities:	93	94	93	103
Benchmark:	S&P 500			
Description:	The Large-Cap Internal Active portfolio represents a composite of the division's internally managed active portfolios. This currently includes Large-Cap Core, Large-Cap Growth, Large-Cap Value and Large-Cap Dividend Growth.			

Characteristics:	<u>SMRS</u>	<u>S&P 500</u>
Weighted Average Capitalization (\$billion):	\$83.2	\$89.9
Trailing 12-month P/E:	14.6x	15.0x
Forecast P/E:	12.5x	13.3x
Price/Book:	1.9x	2.2x
Beta:	0.99	1.00
Dividend Yield:	1.5%	2.0%
3-5 Year EPS Growth Estimate:	11.5%	10.6%
Return on Equity:	20.2%	20.8%

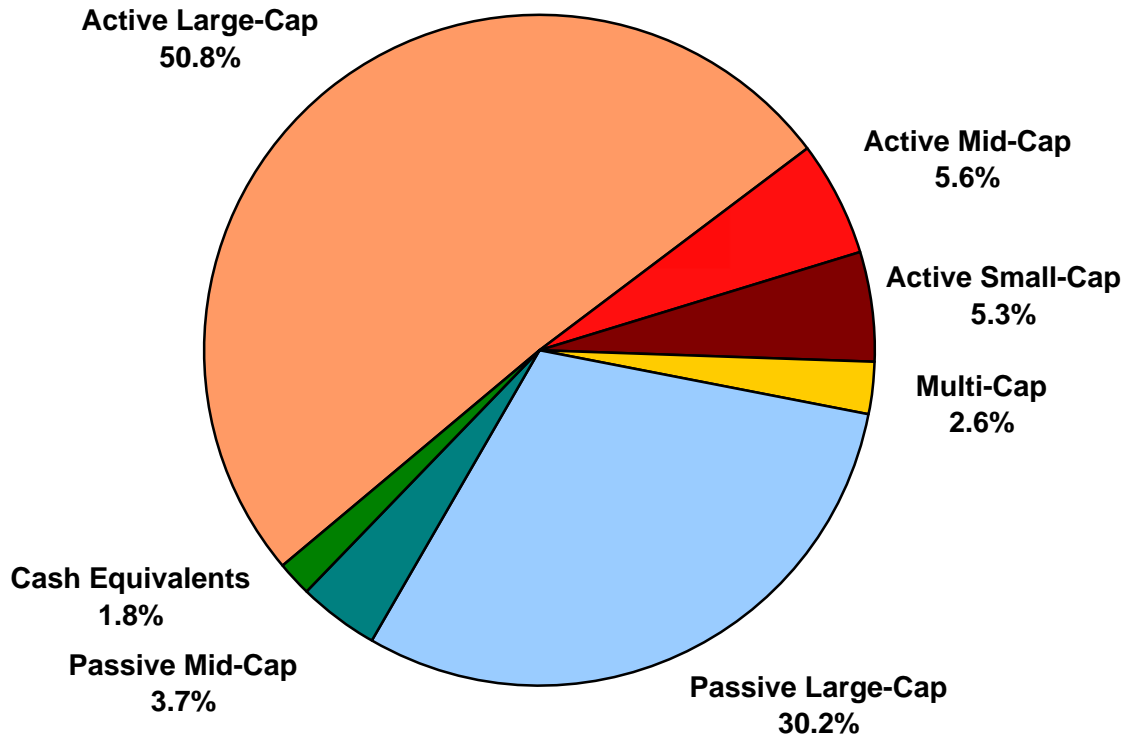
**TOP TEN HOLDINGS - Large-Cap Internal Active
6/30/2011**

	<u>Portfolio Weight</u>	<u>Total Shares</u>	<u>6/30/2011 Price</u>	<u>YTD11 Total Return</u>	<u>Market Value</u>
Apple Inc.	4.49%	967,900	\$335.67	8.04%	\$324,894,993
Google Inc. Cl A	3.60%	513,900	\$506.38	-1.21%	\$260,228,682
Johnson & Johnson	3.19%	3,469,000	\$66.52	-3.34%	\$230,757,880
Morgan Stanley	2.88%	9,048,800	\$23.01	0.57%	\$208,212,888
Hewlett-Packard Co.	2.68%	5,325,000	\$36.40	-2.50%	\$193,830,000
Bank of America Corp.	2.63%	17,345,370	\$10.96	0.00%	\$190,105,255
Abbott Laboratories	2.49%	3,425,000	\$52.62	3.33%	\$180,223,500
UnitedHealth Group Inc.	2.49%	3,490,500	\$51.58	25.52%	\$180,039,990
Amgen Inc.	2.46%	3,051,200	\$58.35	-2.64%	\$178,037,520
Merck & Co. Inc.	<u>2.22%</u>	4,548,400	\$35.29	-7.34%	<u>\$160,513,036</u>
TOTAL	<u>29.11%</u>				<u>\$2,106,843,744</u>



SMRS

Domestic Equity Holdings By Category 6/30/11



		Market Value in Millions			
		6/30/2011		3/31/2011	
Active					
Large-Cap		\$9,125	50.8%	\$9,505	52.7%
Mid-Cap		1,000	5.6%	1,122	6.2%
Small-Cap		961	5.3%	981	5.4%
Multi-Cap		466	2.6%	337	1.9%
Total Active Equity		\$11,552	64.3%	\$11,945	66.2%
Passive					
Large-Cap		\$5,419	30.2%	\$5,408	30.0%
Mid-Cap		671	3.7%	676	3.7%
Total Passive Equity		\$6,090	33.9%	\$6,084	33.7%
Total Investments		\$17,642	98.2%	\$18,029	99.9%
Cash Equivalents		329	1.8%	20	0.1%
Total Domestic Equity		\$17,971	100.0%	\$18,049	100.0%

SMRS DOMESTIC EQUITIES

June 30, 2011

(in thousands)

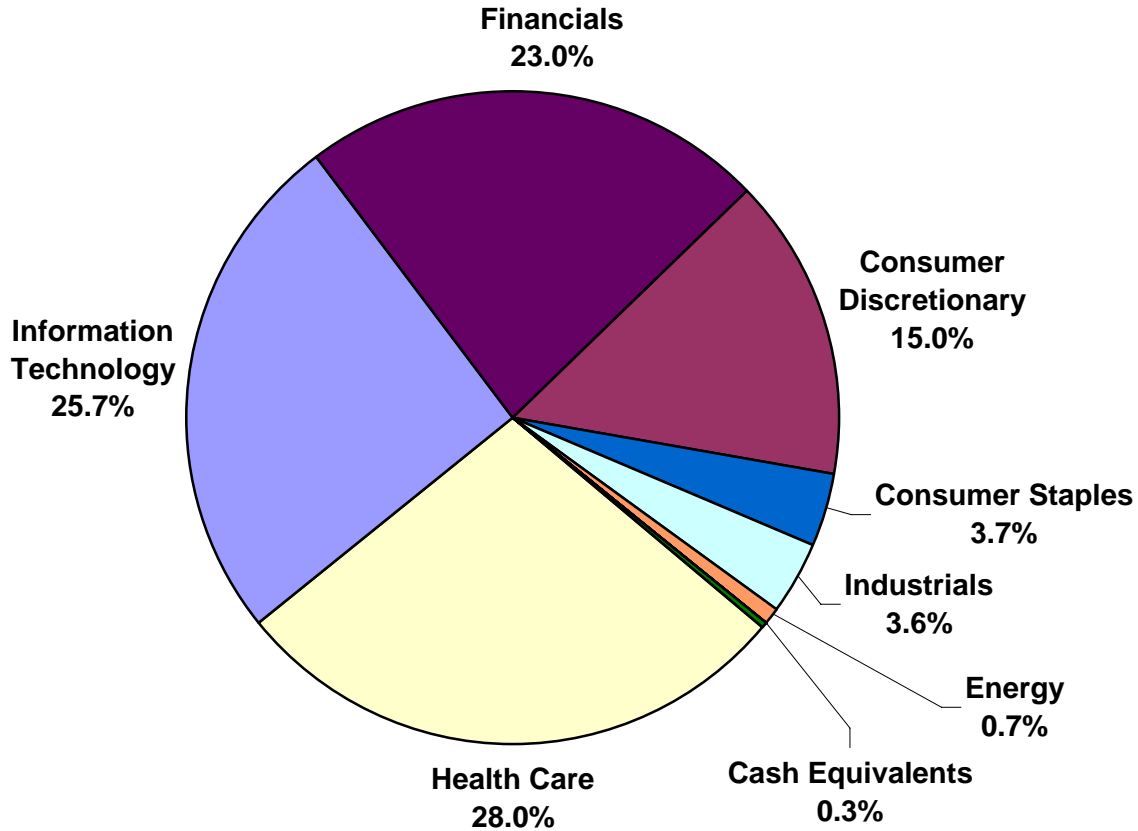
	CONCENTRATED HIGH			
	INDEX	CORE	ALPHA	
				TOTAL
Large-Cap				
Index S&P 500	\$5,432,587			\$5,432,587
Large-Cap Core		\$3,094,099		3,094,099
Large-Cap Growth			\$2,103,235	2,103,235
Large-Cap Value			1,804,793	1,804,793
Large-Cap Dividend Growth			235,728	235,728
Edgewood Large-Cap Growth			633,081	633,081
Aletheia Large-Cap Growth			357,624	357,624
LSV Large-Cap Value			462,292	462,292
Wasatch Advisors Large-Cap Value			222,749	222,749
Epoch Large-Cap Value			246,365	246,365
Diamond Hill Large-Cap Value			235,488	235,488
Tactical Asset Allocation			<u>40,674</u>	<u>40,674</u>
Mid-Cap				
S&P 400 Index	\$675,589			\$675,589
Artisan Mid-Cap Value			\$227,645	227,645
Champlain Mid-Cap Core		\$93,749		93,749
Cramer Rosenthal McGlynn Mid-Cap Value			154,372	154,372
Los Angeles Capital Mid-Cap Plus Core		99,401		99,401
Munder Mid-Cap Core Growth		129,580		129,580
Rainier Mid-Cap Growth		165,452		165,452
Seizert Capital Partners Mid-Cap Core		128,523		128,523
Wellington Management Mid-Cap Growth			129,788	129,788
Small-Cap				
Champlain Small-Cap Core			\$105,766	105,766
Donald Smith Small-Cap Value			167,284	167,284
Fisher Small-Cap Value		\$248,368		248,368
GW Capital Small-Cap Value			77,643	77,643
Northpointe Small-Cap Value		91,182		91,182
Opus Small-Cap Value			58,379	58,379
Pier Small-Cap Growth			212,544	212,544
Manager of Managers				
Attucks Asset Management				\$123,103
Bivium Capital Partners				164,066
Leading Edge Investment Advisors				49,543
Total	\$6,108,176	\$4,050,354	\$7,475,450	\$17,970,692
TOTAL				
				84.3%
				88.4%
				10.2%
				7.8%
				5.5%
				3.8%
				100.0%
				100.0%



SMRS

Domestic Active Equity - Large-Cap Core Equity Holdings By Category

6/30/11



	Market Value in Millions			
	6/30/2011		3/31/2011	
Health Care	\$866	28.0%	\$978	30.5%
Information Technology	797	25.7%	718	22.4%
Financials	711	23.0%	735	22.9%
Consumer Discretionary	463	15.0%	473	14.7%
Consumer Staples	115	3.7%	144	4.5%
Industrials	112	3.6%	116	3.6%
Energy	22	0.7%	31	1.0%
Telecom Services	0	0.0%	0	0.0%
Utilities	0	0.0%	0	0.0%
Materials	0	0.0%	0	0.0%
Other	0	0.0%	0	0.0%
Total Investments	\$3,086	99.7%	\$3,195	99.6%
Cash Equivalents	8	0.3%	15	0.4%
Total	\$3,094	100.0%	\$3,210	100.0%

SMRS LARGE-CAP CORE PORTFOLIO

Date:	<u>6/30/2011</u>	<u>3/31/2011</u>	<u>12/31/2010</u>	<u>9/30/2010</u>
Assets (\$million):	\$3,094	\$3,210	\$3,082	\$2,949
Number of Securities:	37	36	37	39
Benchmark:	S&P 500			
Description:	The Large-Cap Core portfolio looks to add alpha by constructing a portfolio of stocks with attractive risk adjusted returns. Portfolio allocations are the result of security analysis and a risk controlled portfolio construction discipline.			

Characteristics:	<u>SMRS</u>	<u>S&P 500</u>
Weighted Average Capitalization (\$billion):	\$86.8	\$89.7
Trailing 12-month P/E:	15.3x	14.6x
Forecast P/E:	12.0x	13.3x
Price/Book:	1.7x	2.1x
Beta:	0.94	1.00
Dividend Yield:	1.6%	2.0%
3-5 Year EPS Growth Estimate:	10.7%	10.6%
Return on Equity:	20.2%	21.0%

TOP TEN HOLDINGS - CORE 6/30/2011

	<u>Portfolio Weight</u>	<u>Total Shares</u>	<u>6/30/2011 Price</u>	<u>Cost Per Share</u>	<u>YTD11 Total Return</u>	<u>Market Value</u>	<u>Unrealized Gains/(Losses)</u>
Apple Inc.	5.87%	541,300	\$335.67	\$229.18	4.06%	\$181,698,171	\$57,643,017
Johnson & Johnson	5.13%	2,385,000	\$66.52	\$57.84	9.47%	\$158,650,200	\$20,710,087
Google Inc. - CL A	4.94%	302,100	\$506.38	\$485.72	-14.75%	\$152,977,398	\$6,241,366
Citigroup Inc.	4.89%	3,635,050	\$41.64	\$37.78	-11.94%	\$151,363,482	\$14,020,387
Abbott Laboratories	4.52%	2,660,000	\$52.62	\$50.72	11.90%	\$139,969,200	\$5,065,928
Bank of America Corp.	4.50%	12,704,370	\$10.96	\$15.13	-17.71%	\$139,239,895	-\$53,003,114
Morgan Stanley	4.44%	5,964,700	\$23.01	\$26.17	-15.13%	\$137,247,747	-\$18,839,168
Merck & Co. Inc.	4.33%	3,796,000	\$35.29	\$33.53	0.12%	\$133,960,840	\$6,677,213
Amgen Inc.	3.91%	2,075,000	\$58.35	\$56.52	6.28%	\$121,076,250	\$3,792,920
Hewlett-Packard Co.	<u>3.86%</u>	3,280,000	\$36.40	\$37.88	-13.07%	<u>\$119,392,000</u>	<u>-\$4,841,967</u>
TOTAL	<u>46.40%</u>					<u>\$1,435,575,183</u>	<u>\$37,466,668</u>

06/30/11
 \$3,094.10
 (\$ MILLION)

SMRS
Active Core Stock Portfolio
Sector Analysis

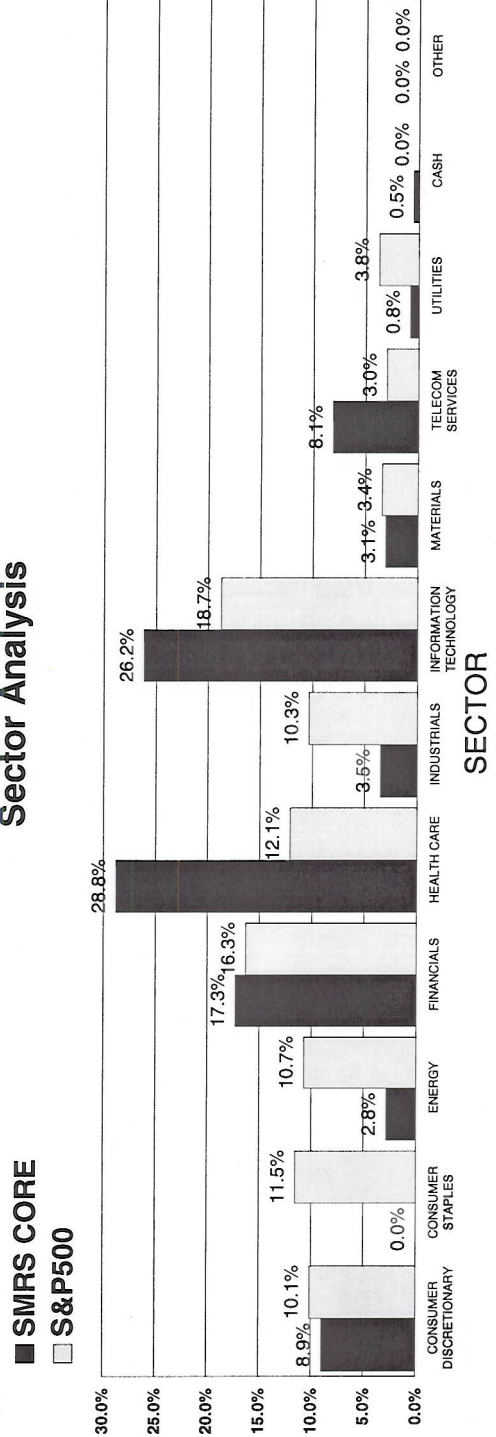
6/30/11



06/30/10
 \$2,699.69
 (\$ MILLION)

SMRS
Active Core Stock Portfolio
Sector Analysis

6/30/10

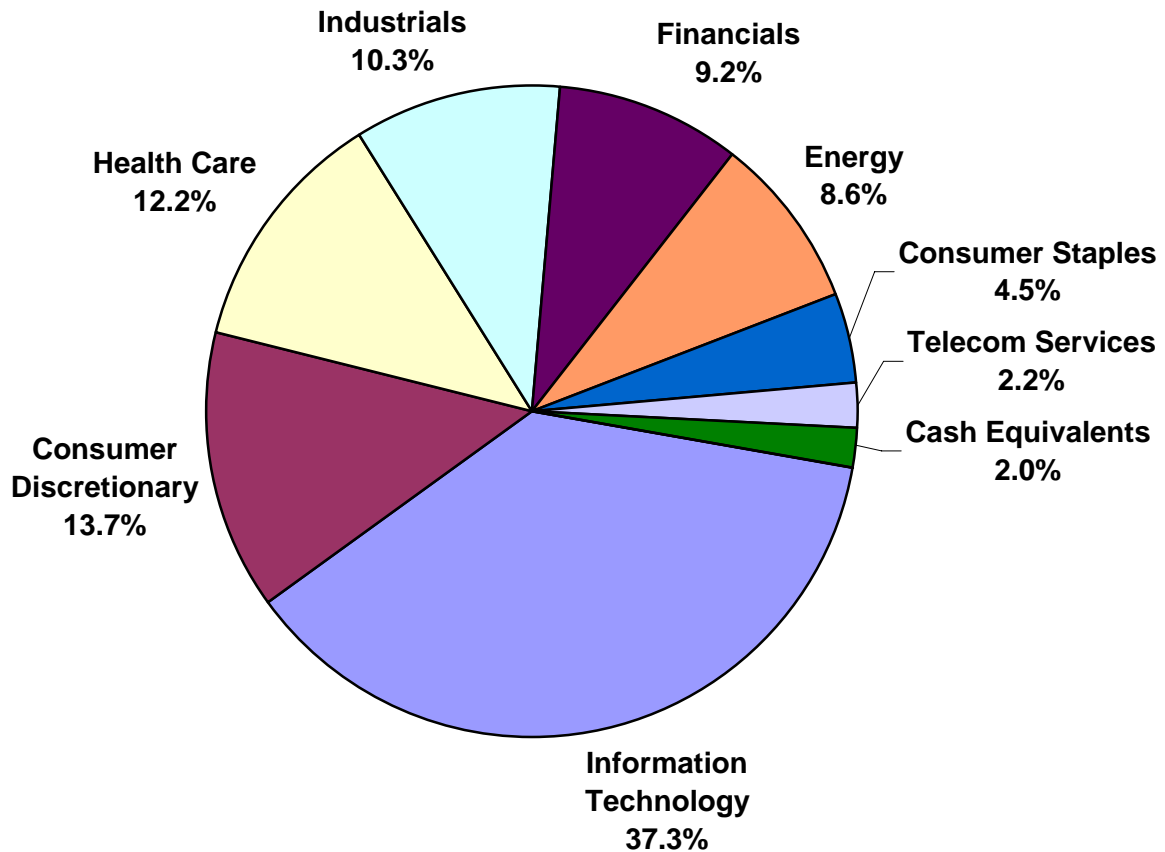




SMRS

Domestic Active Equity - Large-Cap Growth Holdings By Category

6/30/11



	Market Value in Millions			
	6/30/2011		3/31/2011	
Information Technology	\$784	37.3%	\$809	38.4%
Consumer Discretionary	287	13.7%	261	12.4%
Health Care	256	12.2%	240	11.4%
Industrials	217	10.3%	168	8.0%
Financials	194	9.2%	206	9.8%
Energy	181	8.6%	256	12.2%
Consumer Staples	95	4.5%	83	3.9%
Telecom Services	47	2.2%	47	2.2%
Materials	0	0.0%	0	0.0%
Utilities	0	0.0%	0	0.0%
Other	0	0.0%	0	0.0%
Total Investments	\$2,061	98.0%	\$2,070	98.3%
Cash Equivalents	42	2.0%	36	1.7%
Total	\$2,103	100.0%	\$2,106	100.0%

SMRS LARGE-CAP GROWTH PORTFOLIO

Date:	<u>6/30/2011</u>	<u>3/31/2011</u>	<u>12/31/2010</u>	<u>9/30/2010</u>
Assets (\$million):	\$2,103	\$2,106	\$2,111	\$1,905
Number of Securities:	43	45	44	45
Benchmark:	S&P 500/Citigroup Growth Index			
Description:	The Large-Cap Growth portfolio invests in companies that have above-average and sustainable growth in revenues, earnings, and cash flow; identifiable catalysts; and reasonable valuations relative to fundamentals. The portfolio seeks to minimize risk through diversification and an active risk management program.			

Characteristics:	<u>SMRS</u>	<u>S&P 500/Citi Growth</u>
Weighted Average Capitalization (\$billion):	\$78.5	\$83.4
Trailing 12-month P/E:	16.3x	16.1x
Forecast P/E:	14.7x	14.8x
Price/Book:	2.4x	3.3x
Beta:	1.08	0.99
Dividend Yield:	0.9%	1.7%
3-5 Year EPS Growth Estimate:	14.0%	12.1%
Return on Equity:	23.9%	26.5%

TOP TEN HOLDINGS - GROWTH 6/30/2011

	<u>Portfolio Weight</u>	<u>Total Shares</u>	<u>6/30/2011 Price</u>	<u>Cost Per Share</u>	<u>YTD11 Total Return</u>	<u>Market Value</u>	<u>Unrealized Gains/(Losses)</u>
Apple Inc.	6.80%	426,600	\$335.67	\$111.67	4.06%	\$143,196,822	\$95,556,552
Google Inc. - CL A	5.09%	211,800	\$506.38	\$432.68	-14.75%	\$107,251,284	\$15,609,380
Oracle Corp.	4.30%	2,752,900	\$32.91	\$21.05	5.50%	\$90,597,939	\$32,648,917
McDonalds Corp.	4.26%	1,064,000	\$84.32	\$61.35	11.58%	\$89,716,480	\$24,444,769
Int'l Business Machines	3.77%	463,000	\$171.55	\$129.02	17.87%	\$79,427,650	\$19,691,419
Allergan Inc. Co.	3.44%	870,700	\$83.25	\$55.59	21.39%	\$72,485,775	\$24,085,257
Ebay Inc.	3.35%	2,186,800	\$32.27	\$23.99	15.95%	\$70,568,036	\$18,107,367
Directv-Class A	3.25%	1,347,000	\$50.82	\$41.52	27.27%	\$68,454,540	\$12,521,315
Celgene Corp.	3.00%	1,046,000	\$60.32	\$57.04	2.00%	\$63,094,720	\$3,429,059
CME Group Inc.	<u>2.95%</u>	213,400	\$291.59	\$312.73	-8.49%	<u>\$62,225,306</u>	<u>-\$4,511,279</u>
TOTAL	<u>40.22%</u>					<u>\$847,018,552</u>	<u>\$241,582,756</u>

06/30/11
 \$2,103.24
 (\$ MILLION)

06/30/10
 \$1,723.65
 (\$ MILLION)

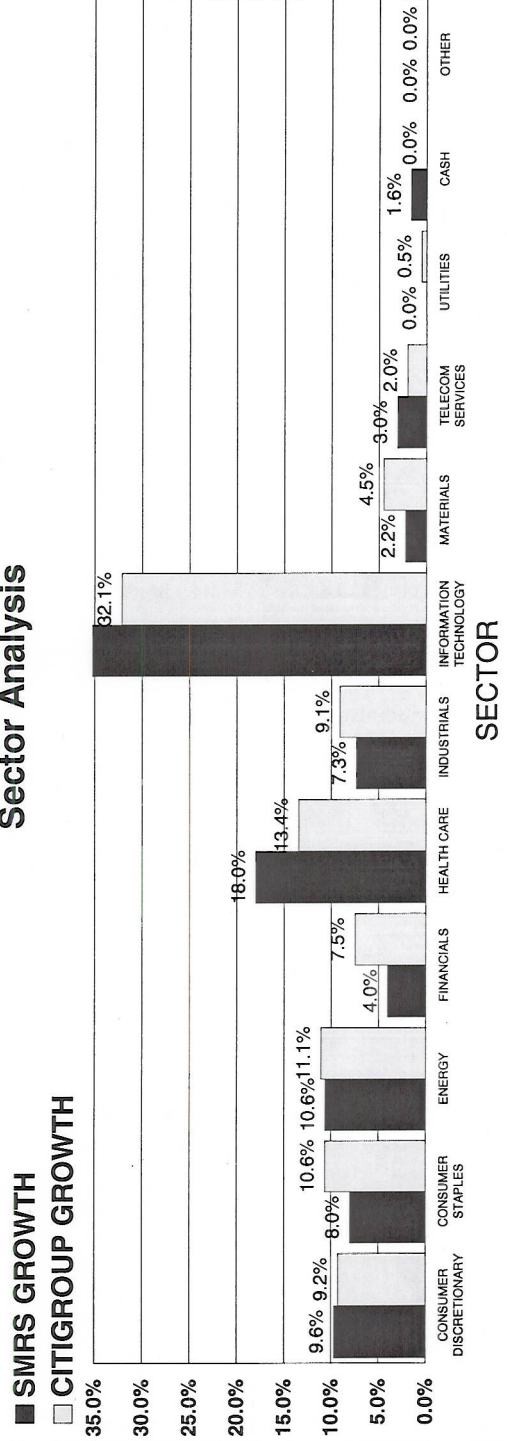
SMRS
Active Growth Stock Portfolio
Sector Analysis

6/30/11



SMRS
Active Growth Stock Portfolio
Sector Analysis

6/30/10

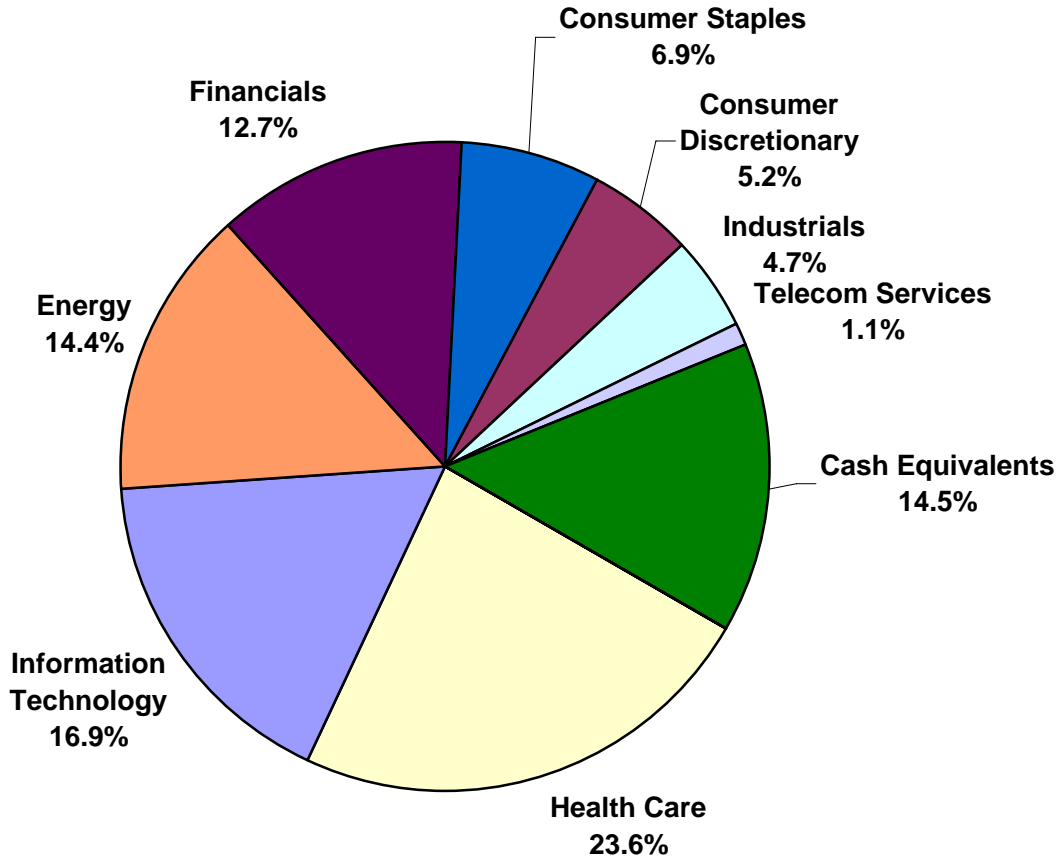




SMRS

Domestic Active Equity - Large-Cap Value Holdings By Category

6/30/11



Market Value in Millions				
	6/30/2011		3/31/2011	
Health Care	\$426	23.6%	\$413	22.1%
Information Technology	304	16.9%	218	11.7%
Energy	260	14.4%	338	18.1%
Financials	229	12.7%	264	14.1%
Consumer Staples	125	6.9%	168	9.0%
Consumer Discretionary	94	5.2%	90	4.8%
Industrials	86	4.7%	98	5.3%
Telecom Services	19	1.1%	18	1.0%
Materials	0	0.0%	0	0.0%
Utilities	0	0.0%	0	0.0%
Other	0	0.0%	0	0.0%
Total Investments	\$1,543	85.5%	\$1,607	86.1%
Cash Equivalents	262	14.5%	260	13.9%
Total	\$1,805	100.0%	\$1,867	100.0%

SMRS LARGE-CAP VALUE PORTFOLIO

Date:	<u>6/30/2011</u>	<u>3/31/2011</u>	<u>12/31/2010</u>	<u>9/30/2010</u>
Assets (\$million):	\$1,805	\$1,867	\$1,759	\$1,622
Number of Securities:	38	39	40	42
Benchmark:	S&P 500/Citigroup Value Index			
Description:	Large-cap stocks selling at market prices that are significantly less than their underlying business value. Focus on companies with above average normalized returns on equity, strong balance sheets and business models with good long-term prospects.			

Characteristics:	<u>SMRS</u>	<u>S&P 500/Citi Value</u>
Weighted Average Capitalization (\$billion):	\$83.0	\$96.3
Trailing 12-month P/E:	12.8x	13.2x
Forecast P/E:	11.1x	11.9x
Price/Book:	1.6x	1.6x
Beta:	0.95	1.02
Dividend Yield:	2.0%	2.3%
3-5 Year EPS Growth Estimate:	9.9%	9.0%
Return on Equity:	16.1%	15.3%

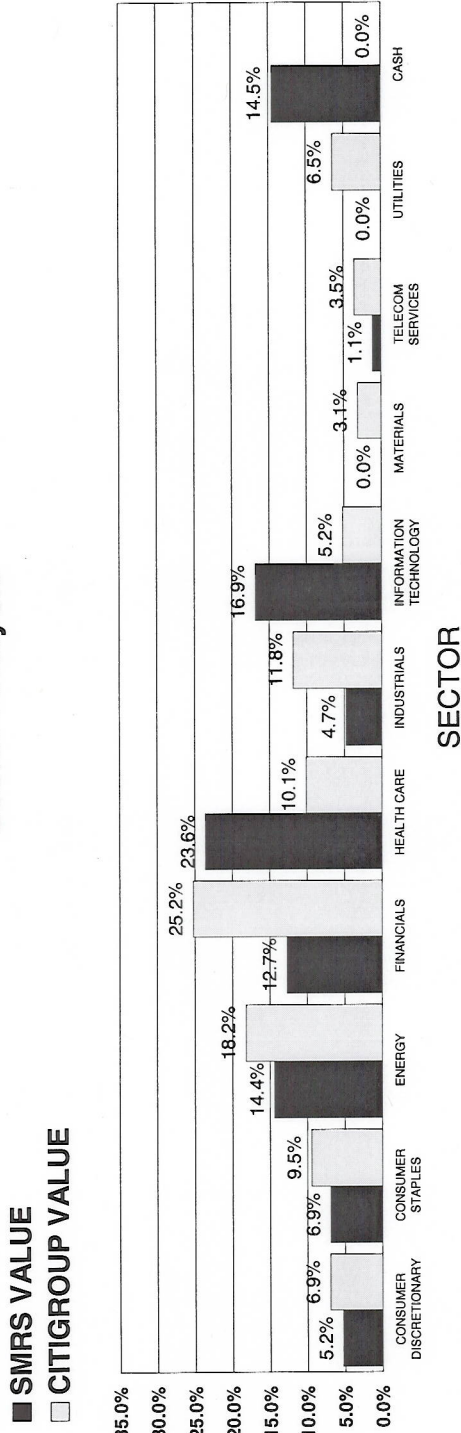
TOP TEN HOLDINGS - VALUE 6/30/2011

	<u>Portfolio Weight</u>	<u>Total Shares</u>	<u>6/30/2011 Price</u>	<u>Cost Per Share</u>	<u>YTD11 Total Return</u>	<u>Market Value</u>	<u>Unrealized Gains/(Losses)</u>
Microsoft Corp.	4.75%	3,294,400	\$26.00	\$27.59	-5.68%	\$85,654,400	-\$5,224,352
Hewlett-Packard Co.	4.12%	2,045,000	\$36.40	\$39.05	-13.07%	\$74,438,000	-\$5,409,855
Cisco Systems Inc.	4.05%	4,681,300	\$15.61	\$18.50	-22.57%	\$73,075,093	-\$13,550,023
Johnson & Johnson	4.00%	1,084,000	\$66.52	\$62.40	9.47%	\$72,107,680	\$4,461,226
Pfizer Inc.	3.97%	3,473,900	\$20.60	\$24.31	20.04%	\$71,562,340	-\$12,888,320
UnitedHealth Group Inc.	3.76%	1,315,500	\$51.58	\$42.54	43.72%	\$67,853,490	\$11,893,367
Wal-Mart Stores Inc.	3.18%	1,080,300	\$53.14	\$47.77	-0.13%	\$57,407,142	\$5,802,601
Amgen Inc.	3.16%	976,200	\$58.35	\$54.43	6.28%	\$56,961,270	\$3,829,950
Kohls Corp.	2.98%	1,075,000	\$50.01	\$51.25	-7.08%	\$53,760,750	-\$1,338,350
L-3 Communications	<u>2.86%</u>	589,700	\$87.45	\$76.45	25.43%	<u>\$51,569,265</u>	<u>\$6,488,554</u>
TOTAL	<u>36.81%</u>					<u>\$664,389,430</u>	<u>(\$5,935,203)</u>

06/30/11
 \$1,804.79
 (\$ MILLION)

SMRS
Active Value Stock Portfolio
Sector Analysis

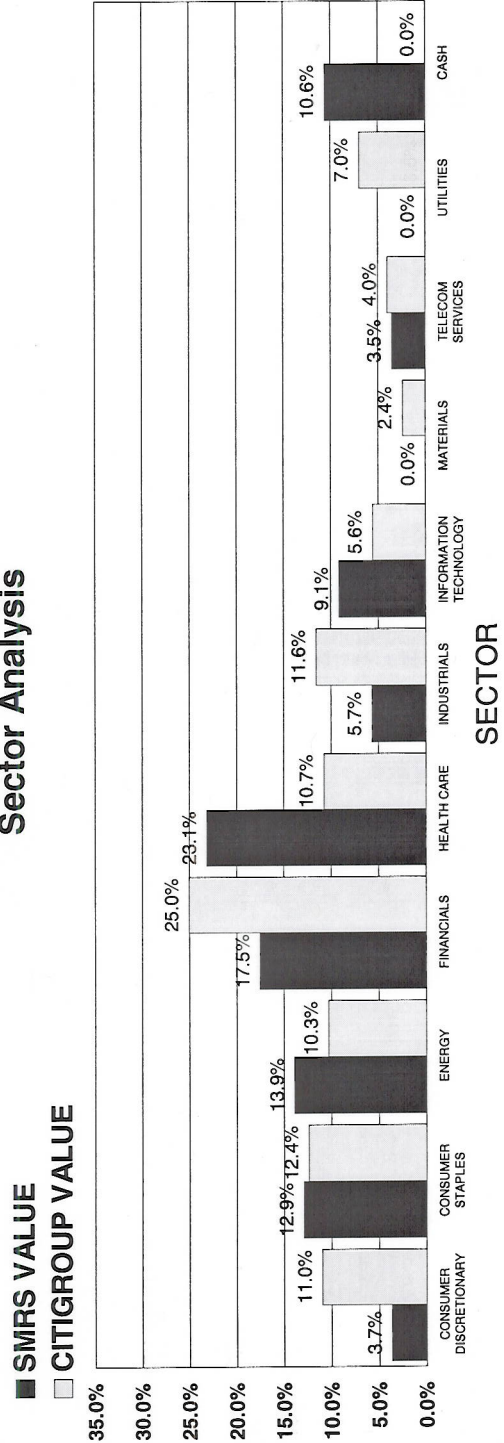
6/30/11



06/30/10
 \$1,487.88
 (\$ MILLION)

SMRS
Active Value Stock Portfolio
Sector Analysis

6/30/10



ACTIVE MID-CAP STOCK PORTFOLIO

Date:	<u>6/30/2011</u>	<u>3/31/2011</u>	<u>12/31/2010</u>	<u>9/30/2010</u>	<u>Change</u>
Assets (\$million):	\$1,128.5	\$1,122.2	\$1,111.3	\$1,072.8	\$6.3
Unique Securities:	554	555	569	574	
Benchmark:	S&P 400				
Description:	The Mid-Cap Composite is designed to add consistent alpha by investing in managers with value-added, but diverse strategies. While the expectation is that most will outperform over time, the composite is designed such that they enable the aggregate composite to do so during differing parts of the business cycle.				

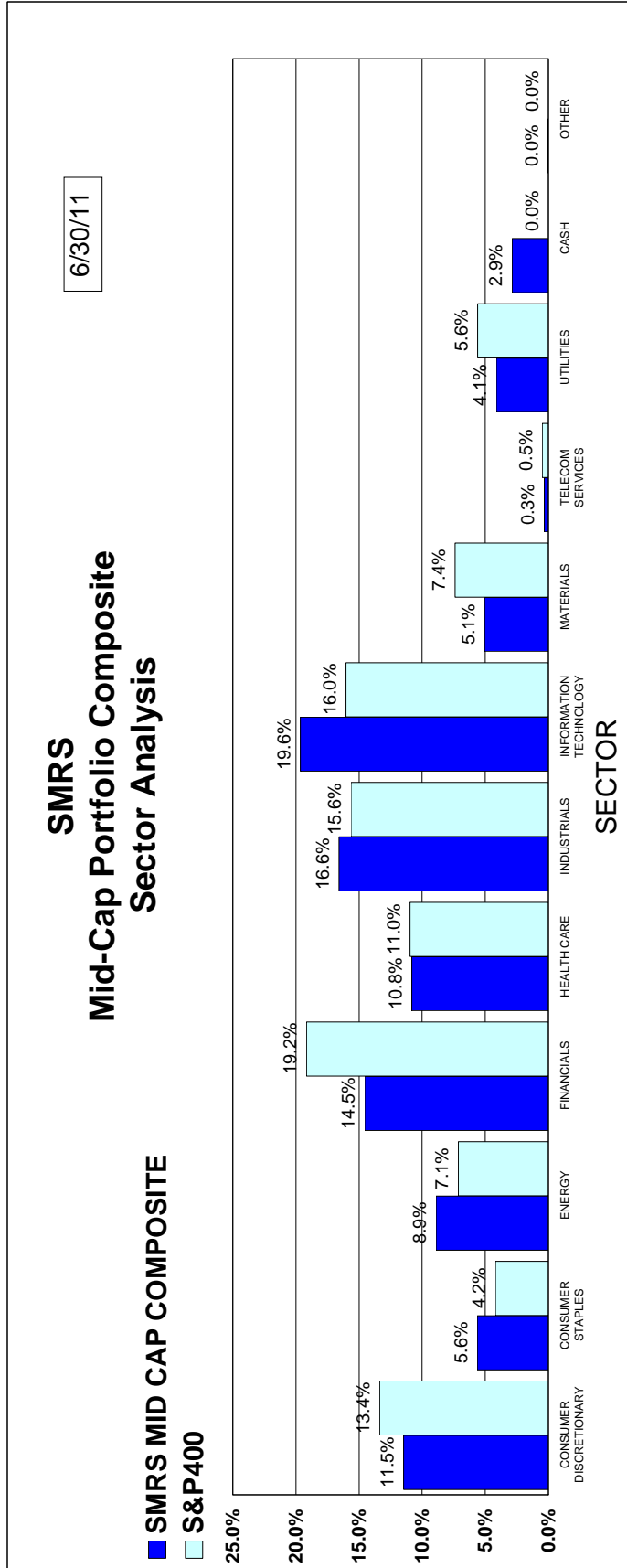
Characteristics:	<u>SMRS</u>	<u>S&P 400</u>
Weighted Average Capitalization (\$million):	\$13,384.2	\$3,997.2
Trailing 12-month P/E:	15.6x	18.5x
Forecast P/E:	14.8x	17.4x
Price/Book:	2.1x	2.1x
Beta:	1.11	1.15
Dividend Yield:	1.06%	1.29%
3-5 Year EPS Growth Estimate:	12.8%	12.9%
Return on Equity:	16.7%	14.5%

<u>Managers</u>	<u>6/30/2011</u>	<u>% of Total</u>
Artisan Mid-Cap Value	\$ 227,645,290	20.17%
Champlain Investment Partners Mid-Cap	\$ 93,748,828	8.31%
Cramer Rosenthal McGlynn Mid-Cap Value	\$ 154,371,904	13.68%
Los Angeles Capital Mid-Cap Plus Core	\$ 99,401,236	8.81%
Munder Mid-Cap Core	\$ 129,580,181	11.48%
Rainier Mid-Cap Growth	\$ 165,451,788	14.66%
Seizert Capital Partners Mid-Cap Core	\$ 128,523,351	11.39%
Wellington Management Mid-Cap Growth	<u>\$ 129,787,582</u>	<u>11.50%</u>
	<u>\$ 1,128,510,158</u>	<u>100.00%</u>

6/30/2011

\$1,128.51

(\$ MILLION)



ACTIVE SMALL-CAP STOCK PORTFOLIO

Date:	<u>6/30/2011</u>	<u>3/31/2011</u>	<u>12/31/2010</u>	<u>9/30/2010</u>	<u>Change</u>
Assets (\$million):	\$961.2	\$980.8	\$1,021.7	\$982.5	-\$19.6
Unique Securities:	438	437	438	452	
Benchmark:	S&P 600				
Description:	The Small-Cap Composite is designed to add consistent alpha by investing in managers with value-added, but diverse strategies. While the expectation is that most will outperform over time, the composite is designed such that they enable the aggregate composite to do so during differing parts of the business cycle.				

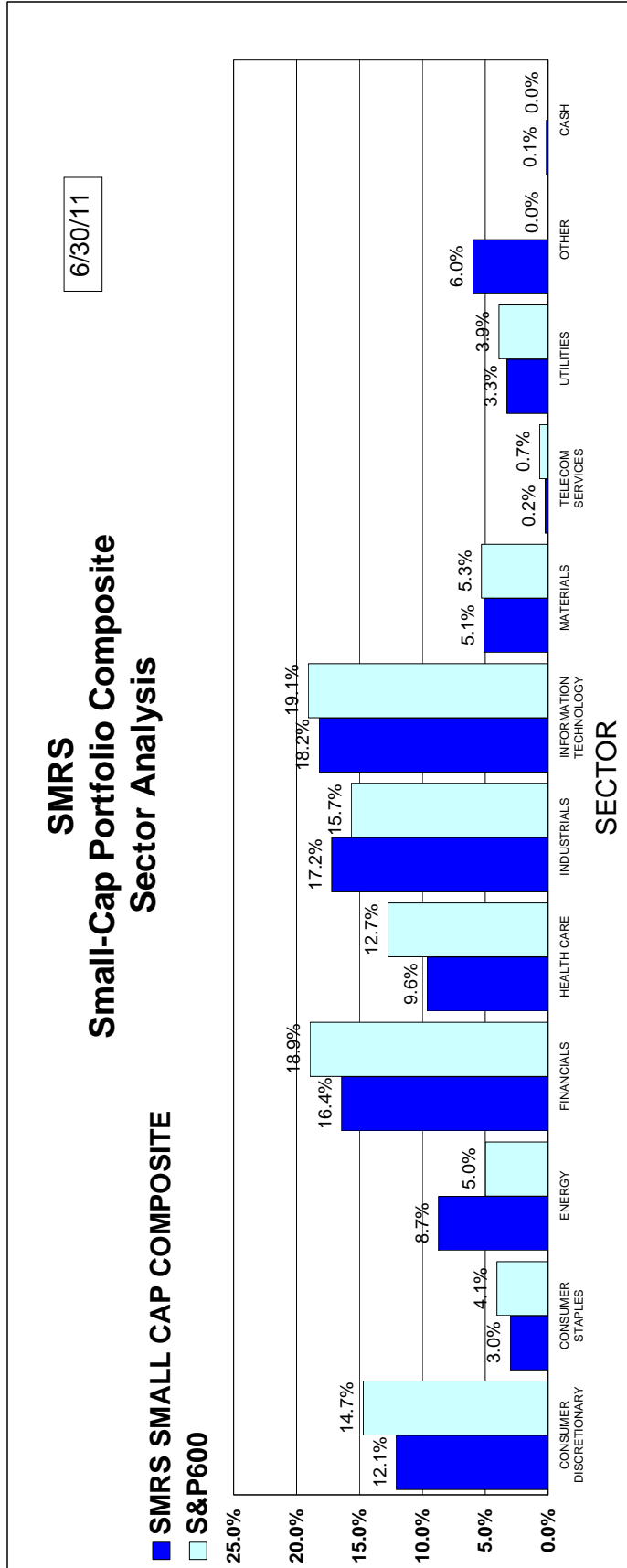
Characteristics:	<u>SMRS</u>	<u>S&P 600</u>
Weighted Average Capitalization (\$million):	\$1,989.2	\$1,322.0
Trailing 12-month P/E:	16.5x	18.3x
Forecast P/E:	16.4x	17.5x
Price/Book:	1.7x	1.9x
Beta:	1.27	1.29
Dividend Yield:	0.95%	1.07%
3-5 Year EPS Growth Estimate:	15.6%	14.1%
Return on Equity:	9.4%	11.2%

<u>Managers</u>	<u>6/30/2011</u>	<u>% of Total</u>
Champlain Small-Cap Core	\$ 105,765,816	11.00%
Donald Smith Small-Cap Core	\$ 167,284,265	17.40%
Fisher Small-Cap Core	\$ 248,367,723	25.84%
GW Capital Small-Cap Value	\$ 77,643,222	8.08%
Northpointe Small-Cap Value	\$ 91,181,716	9.49%
Opus Small-Cap Value	\$ 58,378,780	6.07%
Pier Small-Cap Growth	<u>\$ 212,543,556</u>	<u>22.11%</u>
	<u>\$ 961,165,079</u>	<u>100.00%</u>

6/30/2011

\$961.17

(\$ MILLION)



Internal Funds Review & Outlook

Large Cap Technology Stocks Attractive

- Large-cap technology stocks are both a source of stability and growth in an uncertain economic environment.
 - Companies have significant net cash positions on their balance sheets, putting them in a position of strength in the event of continued market weakness (chart 1).
 - Able to fund growth internally, without being dependent on the equity markets.
 - Able to repurchase stock at attractive prices, or make accretive acquisitions if opportunities present themselves.
 - Average operating margins of 28% versus the S&P 500 at 15% (chart 2).
 - Highly unlikely that large-cap technology companies will lose money and thus end up in a position of financial stress under any feasible economic circumstances.
 - Nearly 12% growth over the past three years, during which S&P 500 index sales contracted (chart 3).
 - Technology remains a source of innovation and a tool for improving productivity around the world.
 - Three year beta of .92 versus the S&P 500 at 1 (chart 4).
 - Large-cap technology stocks tend to drop slightly less than the S&P 500 during periods of economic stress, highlighting their slightly defensive fundamental characteristics.
- Meanwhile, large-cap technology valuations are attractive, trading at a nearly identical forward multiple of earnings as the S&P 500.
 - Historically, large-cap technology has traded at a premium to the market, reflecting favorable fundamental characteristics which, in our view, are largely still in place.
 - 5-year average premium of 1.2 times the S&P 500
 - 10-year average premium of 1.6 times the S&P 500

Charts

Chart 1

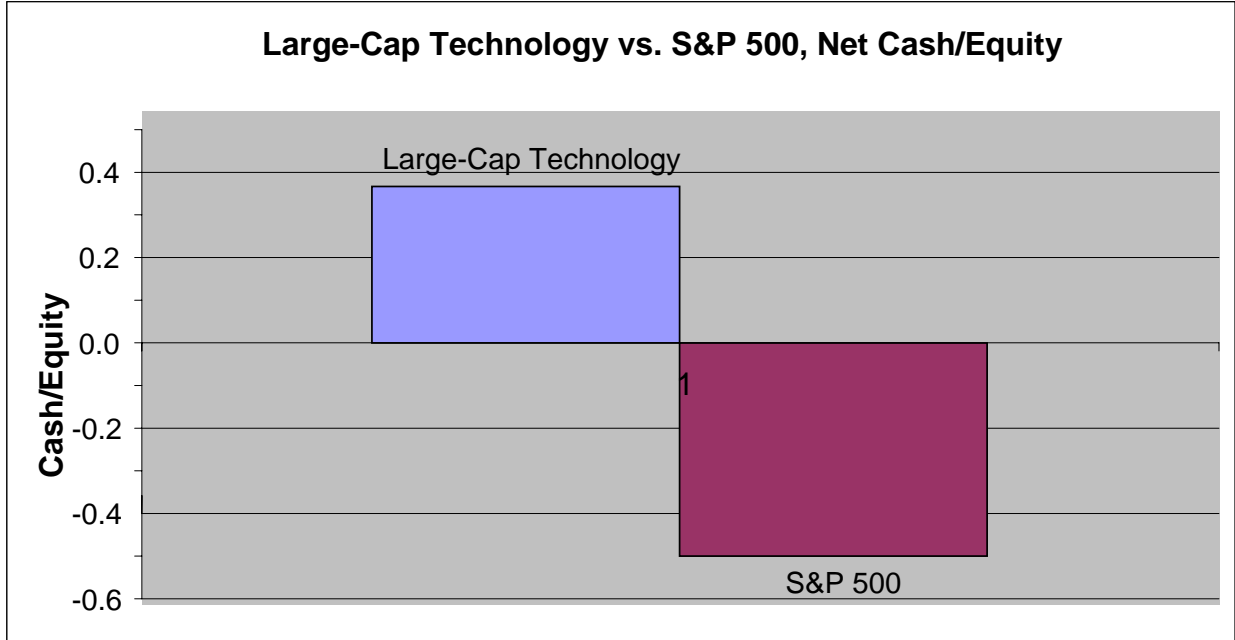


Chart 2

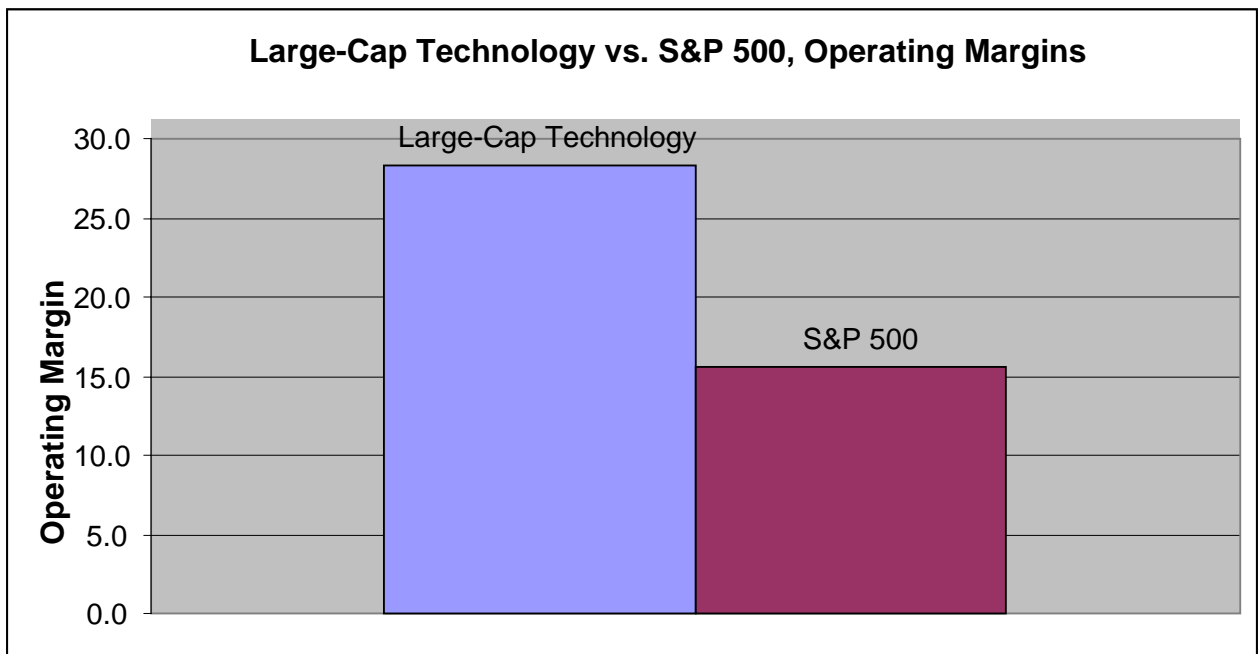


Chart 3

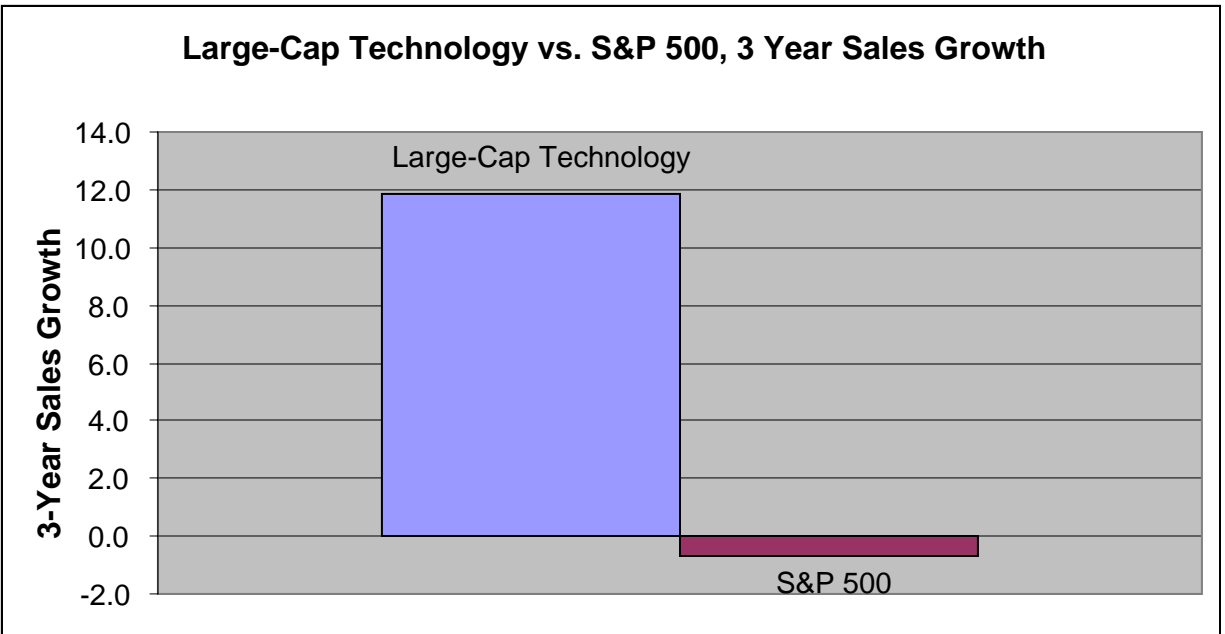
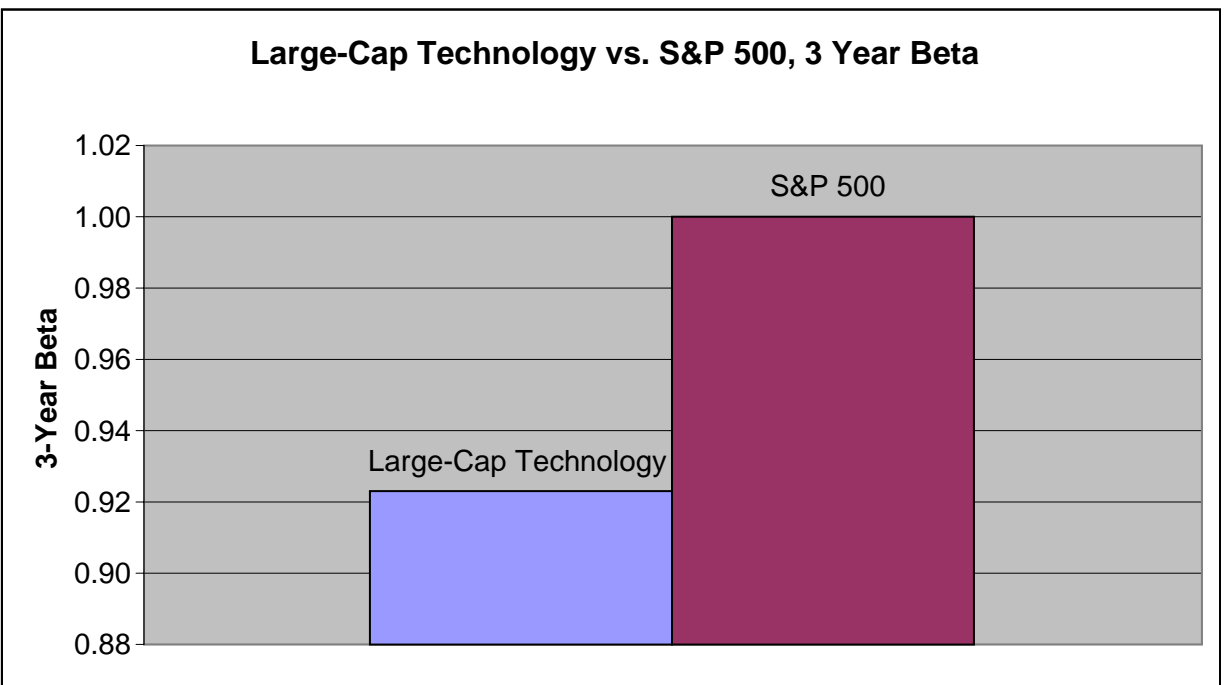


Chart 4



S&P 500 Valuation

- Estimated yield to maturity (bond equivalent return) on the S&P 500 remained at 9.4% at the end of Q2.
 - Yield to maturity estimate for S&P 500 based on normalized dividend yield (including share repurchases) of 3.9% of June 30, 2011, prices, plus long-term growth of 5.5%.
- Meanwhile the yield on the 30-year U.S. Treasury remained at 4.4%.
 - Sharp increases in long-term Treasury yields, whether driven by concerns over the U.S. budget deficit or by inflation expectations, will be a headwind for asset prices.
 - However, at 5%, the equity risk premium remains wide relative to historical standards, leaving room for interest rates to rise gradually.
 - While reflective of today's challenging macro-economic environment, this wide risk premium also represents an opportunity to invest in stable, leading companies at attractive prices in an otherwise low-return environment.
- S&P 400 Mid-Cap and S&P 600 Small-Cap indices continue to appear richly priced relative to the S&P 500 Large-Cap benchmark.
 - Normalized price to earnings of 21.8X, 19.7X and 15.6X on S&P 600, S&P 400 and S&P 500 indices.
 - Normalized dividend yields of 0.7%, 1.7% and 3.9% on S&P 600, S&P 400 and S&P 500 indices.
 - Estimated yield to maturity of 8.2%, 9.2% and 9.4% on S&P 600, S&P 400 and S&P 500 indices.

Internal Active Equity Positioning

- The internal active equity portfolio is estimated to have a yield to maturity of roughly 10.4%, which compares favorably to the S&P 500 at 9.4%. This has been accomplished with less exposure to systematic risk than the benchmark.
 - The internal active equity portfolio's normalized earnings yield is 7.9% compared to the S&P 500 at 6.4%.
- The internal active equity portfolio's normalized dividend yield, including share repurchases, is currently 4.9%, versus the S&P 500 at 3.9%.
- Internal Actively Managed Composite remains overweight the Healthcare, Information Technology, and Financial sectors.

This portfolio is positioned to outperform the S&P 500 over the medium term in either an up or a down market for the following reasons:

- Favorable earnings yield and growth characteristics of the portfolio versus the benchmark.
- High quality nature and strong competitive positions of most companies owned.
- Slightly defensive characteristics give the portfolio a bit more “weather resistance” than the benchmark.

Internal Active Portfolio, Equity Return Expectations (6/31/2011)

Return Assumption Estimates

	<u>Yield to Maturity ****</u>	<u>Normal Dividend Yield</u>	<u>LT Growth Rate ***</u>
SAD Internal Active Equity	10.4%	4.9%	5.5%
S&P 500 Large-Cap	9.4%	3.9%	5.5%
S&P 400 Mid-Cap	9.2%	1.7%	7.5%
S&P 600 Small-Cap	8.2%	0.7%	7.5%
US 30 Year Treasury	4.4%	4.4%	0.0%

Trailing 12 Month and Normalized Earnings Characteristics

	<u>TTM Price/Earnings</u>	<u>Normal Price/Earnings</u>	<u>Normal Earnings Yield*</u>
SAD Internal Active Equity	14.1	12.7	7.9%
S&P 500 Large-Cap	15.8	15.6	6.4%
S&P 400 Mid-Cap	20.9	19.7	5.1%
S&P 600 Small-Cap	24.5	21.8	4.6%

Normalized Earnings & Dividend Characteristics

	<u>Normal Earnings Yield</u>	<u>Normal Payout Ratio</u>	<u>Normal Dividend Yield **</u>
SAD Internal Active Equity	7.9%	62%	4.9%
S&P 500 Large-Cap	6.4%	61%	3.9%
S&P 400 Mid-Cap	5.1%	33%	1.7%
S&P 600 Small-Cap	4.6%	15%	0.7%

Internal & Third Party Valuation Matrix

	<u>Morningstar</u>	<u>Valueline</u>	<u>Internal Valuations</u>
SAD Internal Active Equity	19.6%	33.0%	27.0%
<u>S&P 500</u>	<u>10.5%</u>	<u>20.6%</u>	<u>9.5%</u>
<u>Excess Return</u>	<u>9.2%</u>	<u>12.5%</u>	<u>17.5%</u>

* Earnings Yield = Earnings/Price

** Includes Share Buybacks

*** LT Growth Rate Calculation: Return on Equity * (1-Dividend Payout Ratio)

**** Yield to Maturity Formula: Dividend Yield + LT Growth Rate

**STATE OF MICHIGAN
RETIREMENT SYSTEMS**

FIXED INCOME REVIEW

INVESTMENT ADVISORY COMMITTEE MEETING

SEPTEMBER 1, 2011



**Paul R. Nelson II, CFA, Administrator
Long-Term Fixed Income Division**

EXECUTIVE SUMMARY

Long-Term Fixed Income

- Currently, Treasury yields are near historic lows and quality spreads are still wide, but narrowing. Under these conditions, investors are being paid to take some credit risk, but not a maturity extension risk.
- Accordingly, the Long-Term Fixed Income Division continues to concentrate on Single A or better Corporate issues in the five to ten-year range. Later in the year as spreads narrow and Treasury rates increase, the fixed income focus will shift to higher grade and longer maturity issues.

Fixed Income Internal Portfolio
 Government and Corporate Yields
 For One-Year Period Ending June 30, 2011

	<u>Government Portfolio</u>	<u>Corporate Portfolio</u>	<u>Total Fixed Income Internal Portfolio</u>
Total Income	\$81,016,808.60	\$189,543,145.83	\$270,599,954.43
Market Value*	\$1,618,582,086.84	\$4,083,580,750.07	\$5,702,162,836.91
Current Yield	5.01%	4.64%	4.74%

*as of 6/30/11

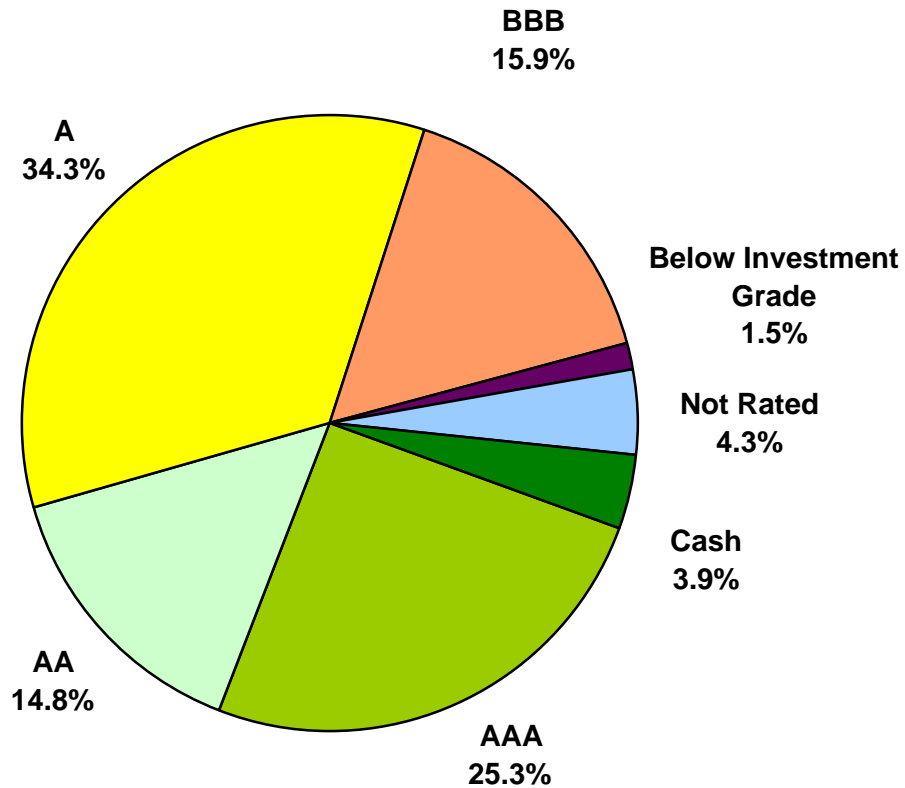


SMRS

Fixed Income By Rating

Total U.S. Government and Corporate Holdings

6/30/11



Market Value in Millions				
	6/30/2011		3/31/2011	
AAA	\$1,804	25.3%	\$1,950	26.2%
AA	1,052	14.8%	1,076	14.4%
A	2,442	34.3%	2,476	33.2%
BBB	1,132	15.9%	1,241	16.7%
Not Rated	105	1.5%	331	4.4%
Below Investment Grade	307	4.3%	107	1.4%
Cash Equivalents	281	3.9%	272	3.7%
Total Investments	\$7,123	100.0%	\$7,453	100.0%

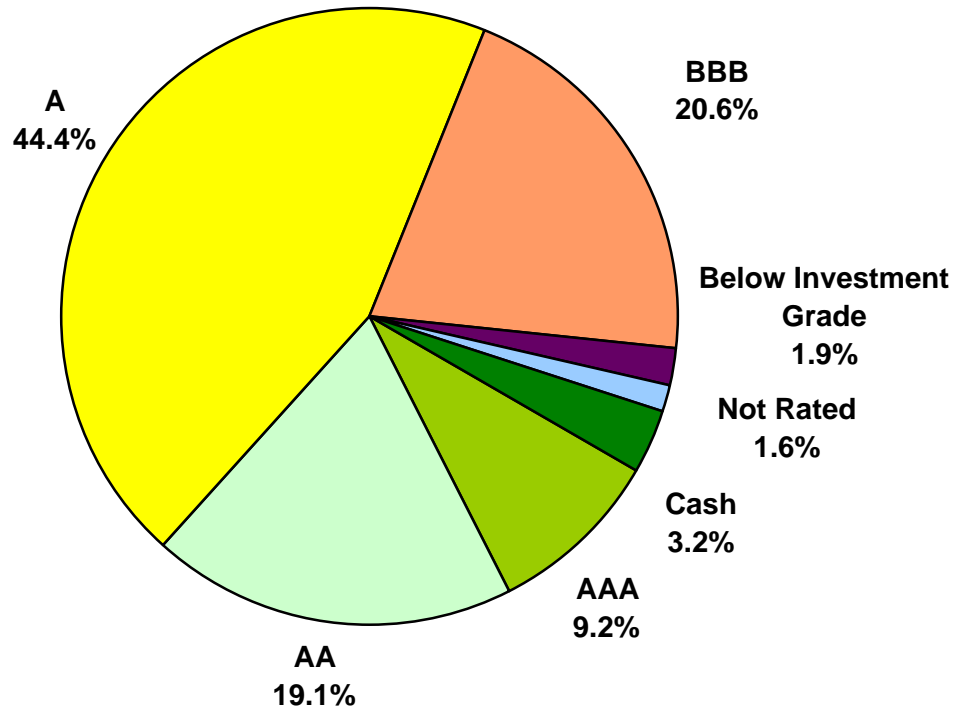


SMRS

Fixed Income By Rating

Corporate Holdings By Rating

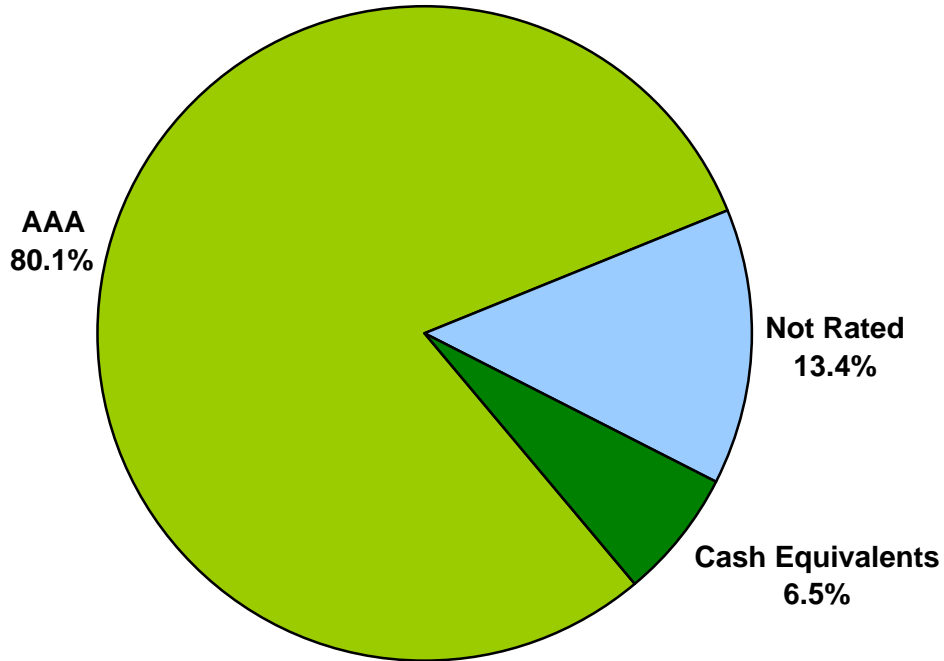
6/30/11



Market Value in Millions					
	6/30/2011		3/31/2011		
AAA	\$508	9.2%	\$554	10.0%	
AA	1,052	19.1%	1,076	19.3%	
A	2,442	44.4%	2,461	44.2%	
BBB	1,132	20.6%	1,200	21.6%	
Not Rated	105	1.9%	78	1.4%	
Below Investment Grade	91	1.6%	53	0.9%	
Cash Equivalents	175	3.2%	145	2.6%	
Total Investments	\$5,505	100.0%	\$5,567	100.0%	



SMRS
Fixed Income
U.S. Government Internal Holdings
6/30/11

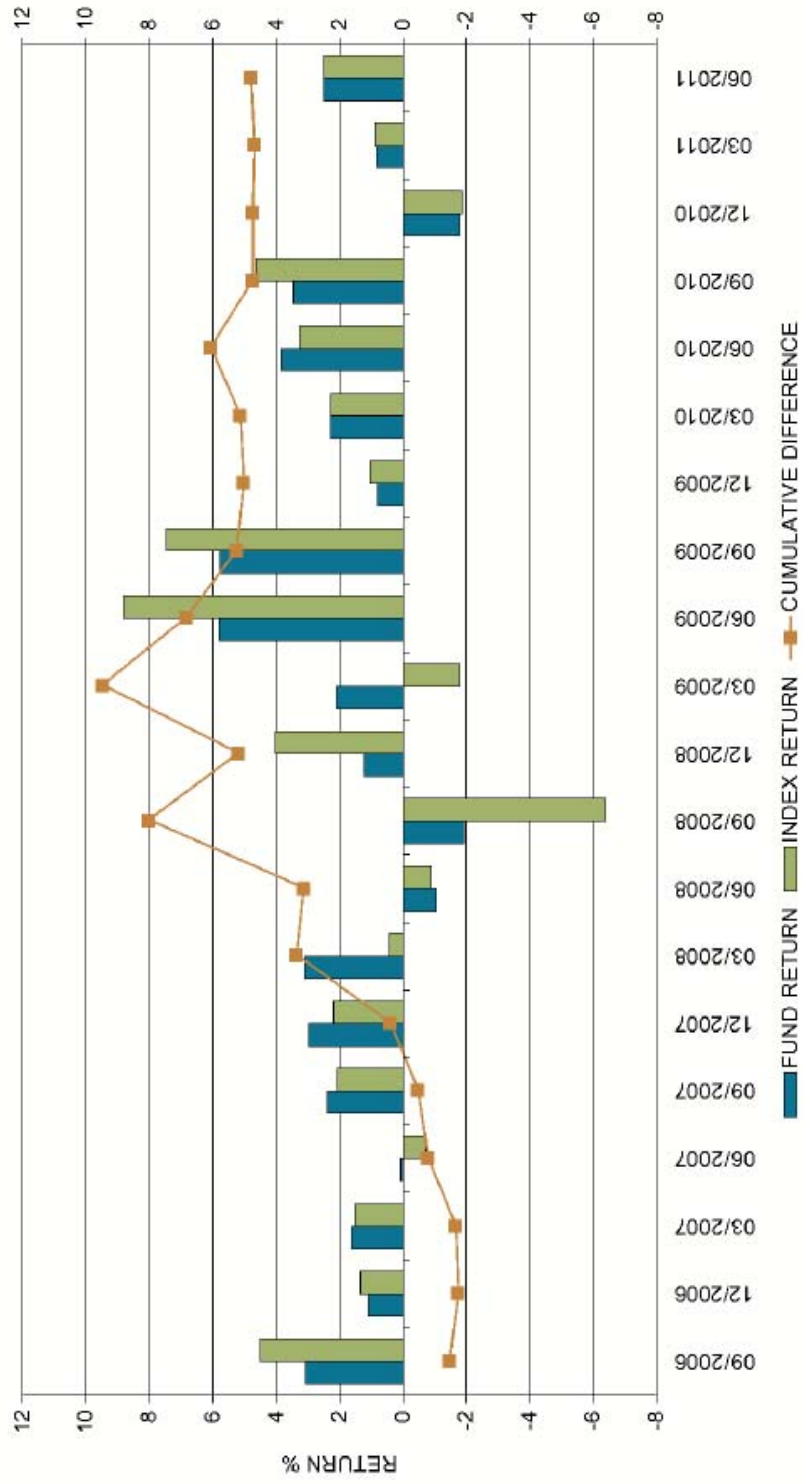


Market Value in Millions				
	6/30/2011		3/31/2011	
AAA	1,296	80.1%	1,360	78.8%
Not Rated	216	13.4%	243	14.1%
Cash Equivalents	106	6.5%	123	7.1%
Total	\$1,618	100.0%	\$1,726	100.0%

Michigan Department of Treasury, Bureau of Investments

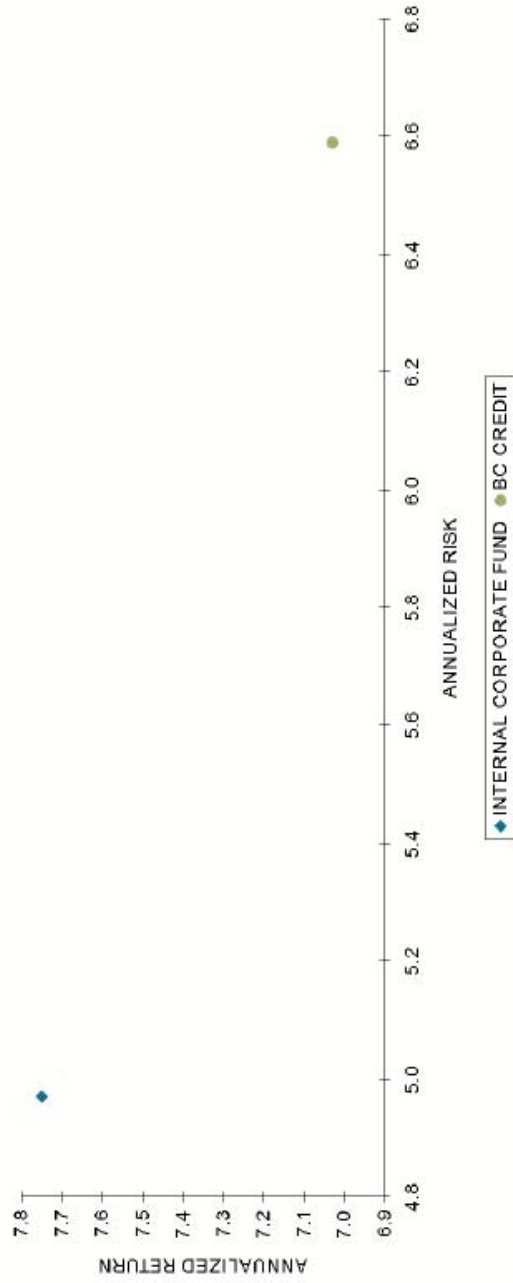
Michigan State Treasury - Supersponsor
 INTERNAL CORPORATE FUND
 Index: BC CREDIT
 PERIODS: June 30, 2006 - June 30, 2011

CUMULATIVE PERFORMANCE REPORT



Michigan State Treasury - Supersponsor
INTERNAL CORPORATE FUND
 Benchmark: BC CREDIT
 PERIODS: June 30, 2006 - June 30, 2011

RISK VS. RETURN



RISK INFORMATION

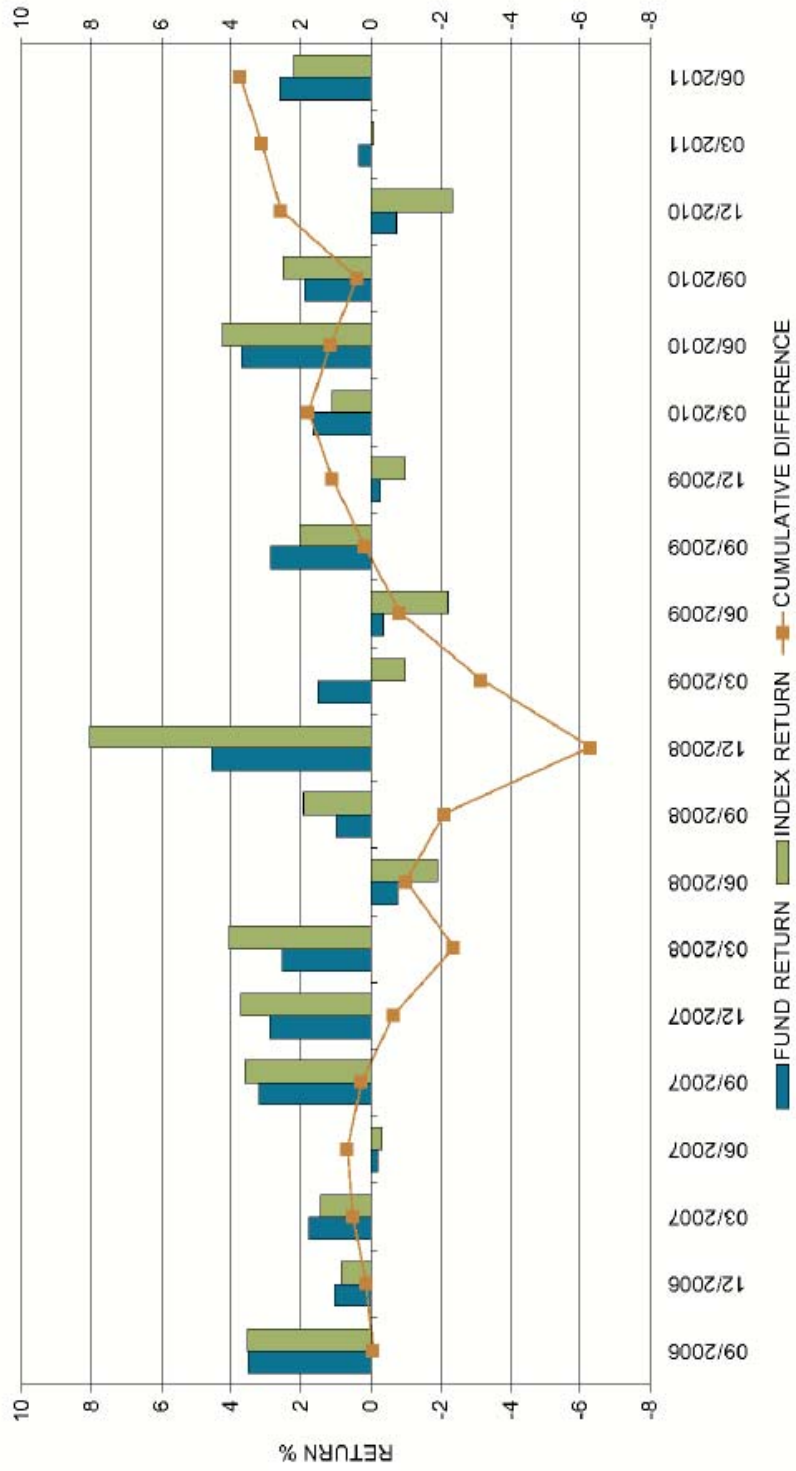
Portfolio Return	7.75
Benchmark Return	7.03
Return Differences	0.72
Portfolio Standard Deviation	4.97
Benchmark Standard Deviation	6.59
Tracking Error	3.29

RISK STATISTICS

Historic Beta	0.66
R-squared	0.78
Jensen's Alpha	2.42
Sharpe Ratio	1.16
Treynor Ratio	8.69
Information Ratio	0.22

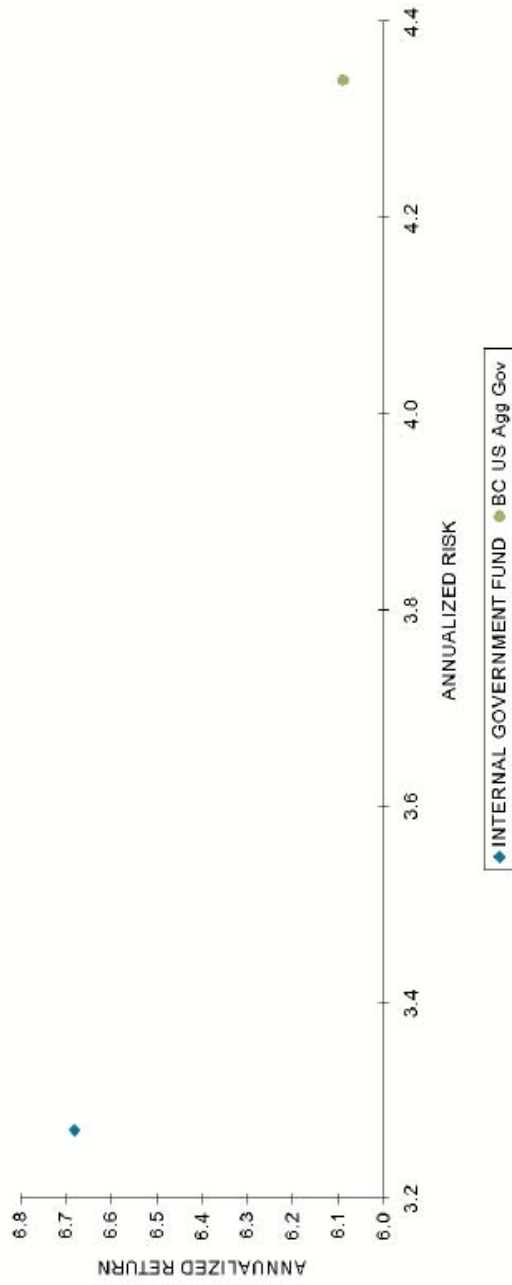
Michigan State Treasury - Supersponsor
INTERNAL GOVERNMENT FUND
Index: BC US Agg Gov
PERIODS: June 30, 2006 - June 30, 2011

CUMULATIVE PERFORMANCE REPORT



Michigan State Treasury - Supersponsor
INTERNAL GOVERNMENT FUND
Index: BC US Agg Gov
PERIODS: June 30, 2006 - June 30, 2011

RISK VS. RETURN



RISK INFORMATION

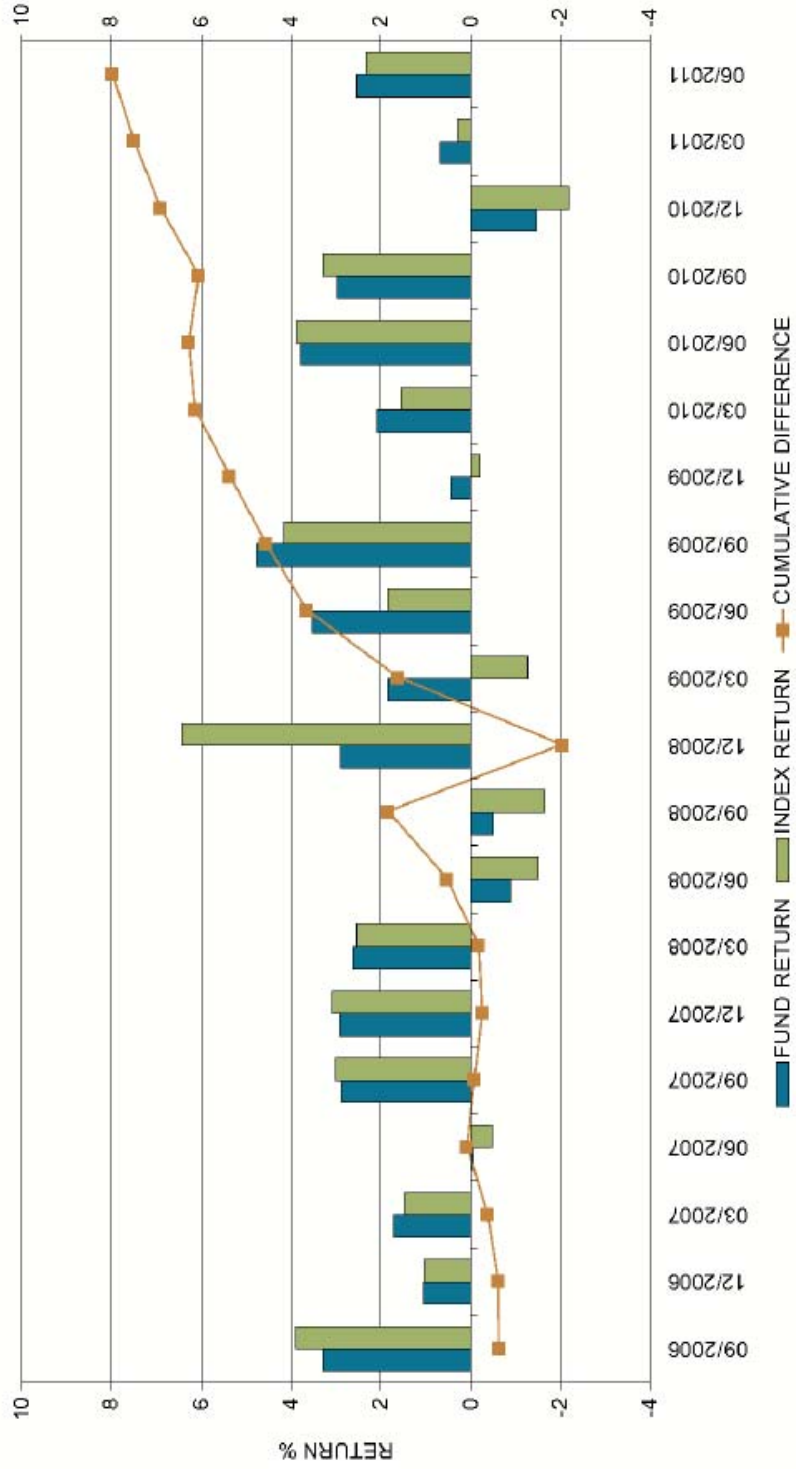
Portfolio Return	6.68
Benchmark Return	6.09
Return Differences	0.59
Portfolio Standard Deviation	3.27
Benchmark Standard Deviation	4.34
Tracking Error	1.86

RISK STATISTICS

Historic Beta	0.69
R-squared	0.83
Jensen's Alpha	1.83
Sharpe Ratio	1.43
Treynor Ratio	6.73
Information Ratio	0.31

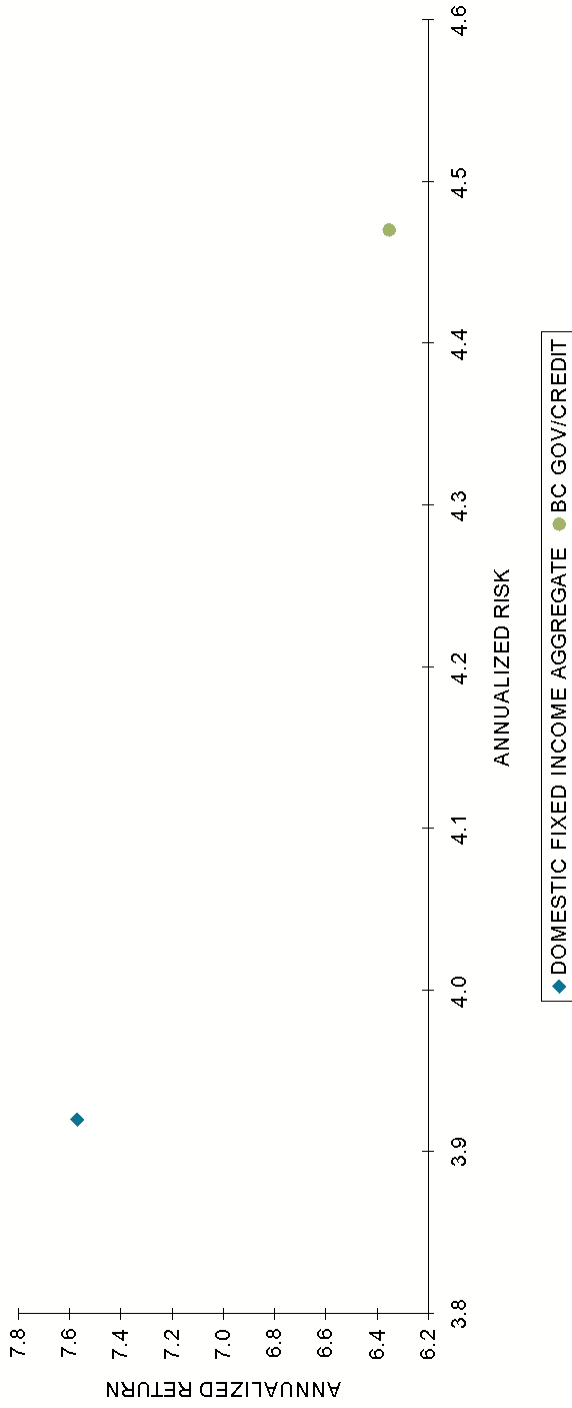
**Michigan State Treasury - Supersponsor
 DOMESTIC FIXED INCOME AGGREGATE
 Index: BC GOV/CREDIT
 PERIODS: June 30, 2006 - June 30, 2011**

CUMULATIVE PERFORMANCE REPORT



Michigan State Treasury - Supersponsor
DOMESTIC FIXED INCOME AGGREGATE
 Benchmark: BC GOV/CREDIT
 PERIODS: June 30, 2006 - June 30, 2011

RISK VS. RETURN



RISK INFORMATION

Portfolio Return	7.57
Benchmark Return	6.35
Return Differences	1.22
Portfolio Standard Deviation	3.92
Benchmark Standard	4.47
Tracking Error	1.78

RISK STATISTICS

Historic Beta	0.81
R-squared	0.84
Jensen's Alpha	2.03
Sharpe Ratio	1.42
Treynor Ratio	6.84
Information Ratio	0.69

State of Michigan Retirement Systems
Corporate Fixed Income Internal Holdings

Portfolio Characteristics

Benchmark: Barclays Capital U.S. Credit

March 31, 2011

June 30, 2011

<i>Characteristic</i>	June 30, 2011			March 31, 2011		
	<i>Portfolio</i>	<i>Benchmark</i>	<i>Relative (%)</i>	<i>Portfolio</i>	<i>Benchmark</i>	<i>Relative (%)</i>
Maturity (Yrs)	5.2	10.1	51.5	5.3	10.0	53.0
Maturity (Yrs) w/Cash Equiv.	5.1	10.1	50.5	5.2	10.0	52.0
Duration (Yrs)	4.3	6.2	69.4	4.4	6.5	67.7
Duration (Yrs) w/Cash Equiv.	4.3	6.2	69.4	4.4	6.5	67.7
Coupon (%)	4.9	5.6	87.5	5.0	5.6	89.3
Yield to Maturity (%)	2.5	3.7	67.6	3.1	3.9	79.5
Moody's Quality	A-3	A-3		A-2	A-3	
S&P Quality	A	A-		A	A-	

State of Michigan Retirement Systems
Government Fixed Income Internal Holdings

Portfolio Characteristics

Benchmark: Barclays Capital Government

March 31, 2011

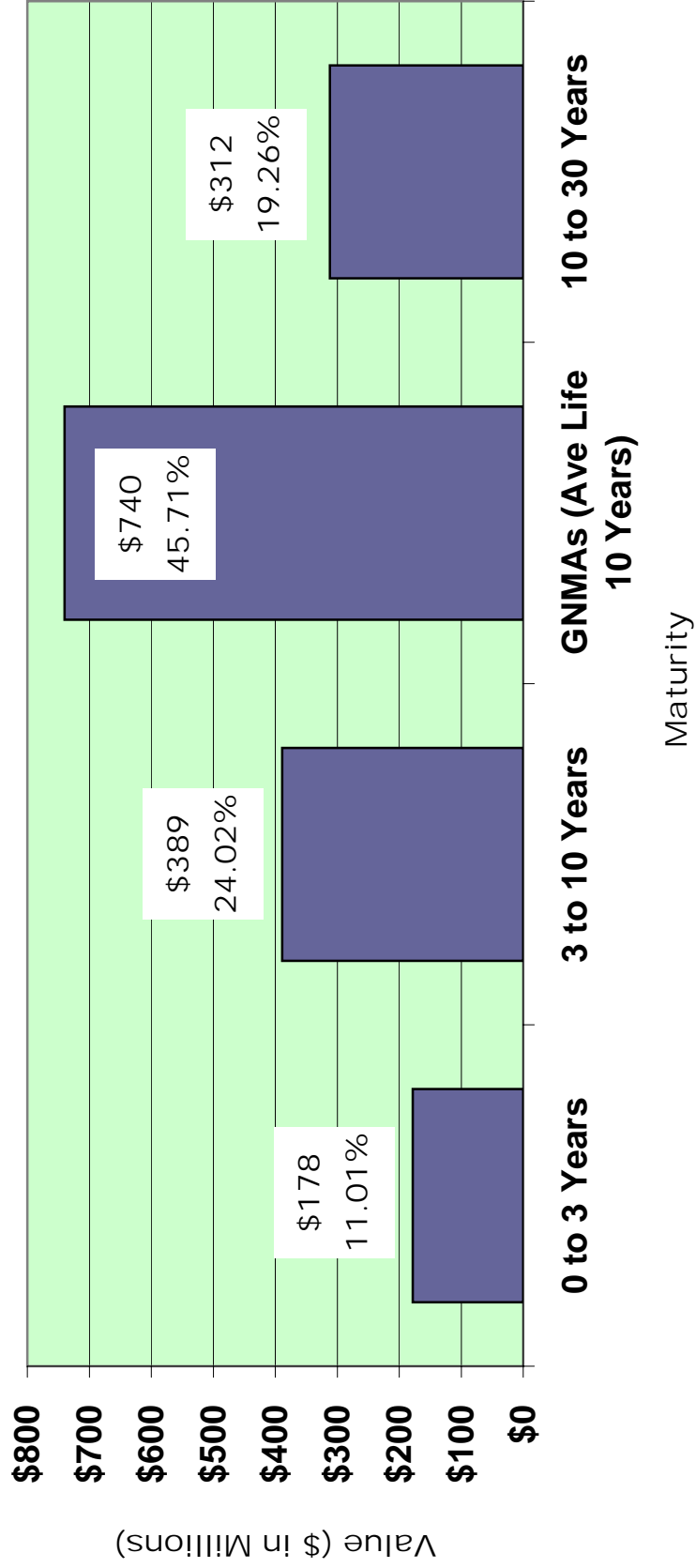
June 30, 2011

<i>Characteristic</i>	June 30, 2011			March 31, 2011		
	<i>Portfolio</i>	<i>Benchmark</i>	<i>Relative (%)</i>	<i>Portfolio</i>	<i>Benchmark</i>	<i>Relative (%)</i>
Maturity (Yrs)	6.0	6.4	93.8	6.2	6.2	100.0
Maturity (Yrs) w/Cash Equiv.	5.6	6.4	87.5	5.8	6.2	93.5
Duration (Yrs)	4.9	4.8	102.1	5.0	4.9	102.0
Duration (Yrs) w/Cash Equiv.	4.6	4.8	95.8	4.7	4.9	95.9
Coupon (%)	4.3	3.0	143.3	4.3	3.0	143.3
Yield to Maturity (%)	2.7	1.7	158.8	3.1	2.0	155.0
Moody's Quality	AGY	TSY		AGY	AGY	
S&P Quality	AGY	TSY		AGY	TSY	

Fixed Income Internal Portfolio Government Portfolio Maturity Distribution

As of June 30, 2011

Average Maturity of January 2020
Total Market Value \$1,619 Million

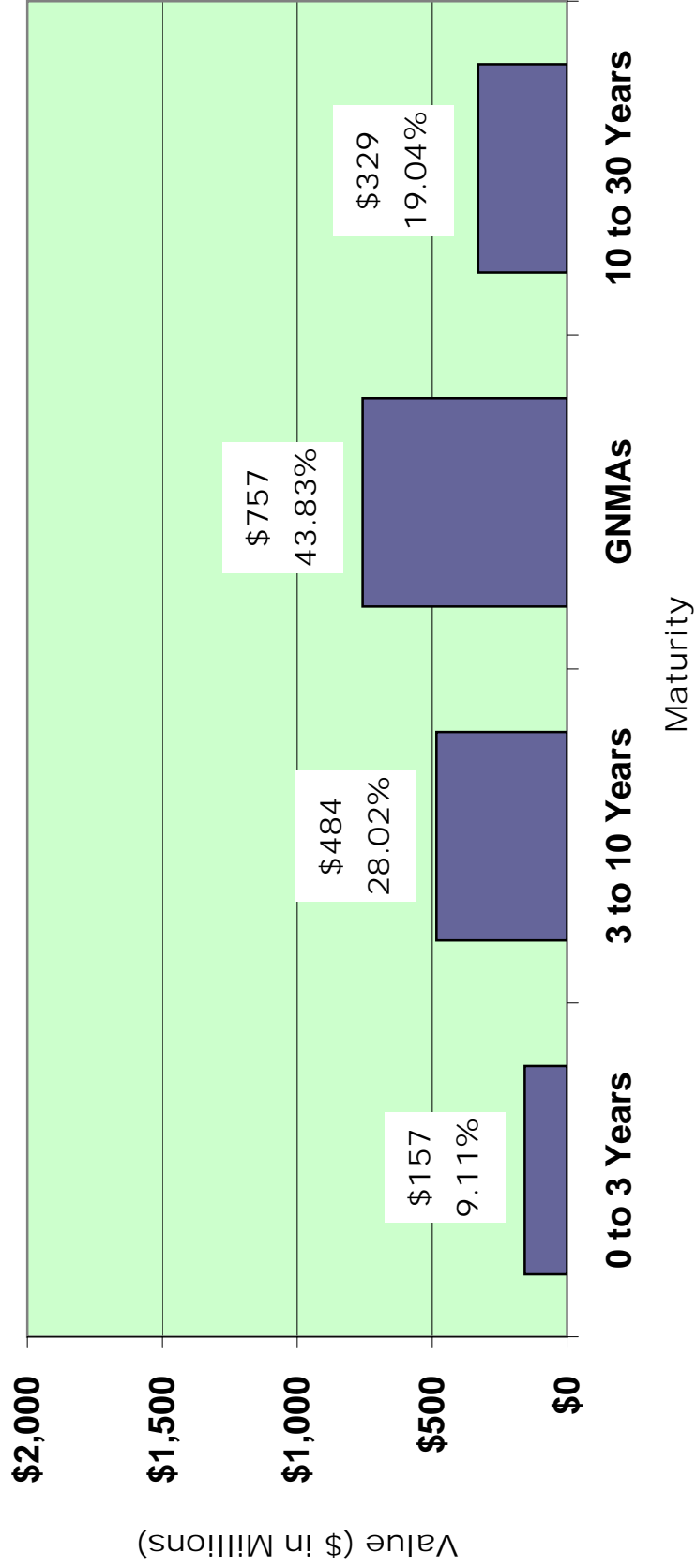


Fixed Income Internal Portfolio Government Portfolio Maturity Distribution

As of March 31, 2011

Average Maturity of November 2019

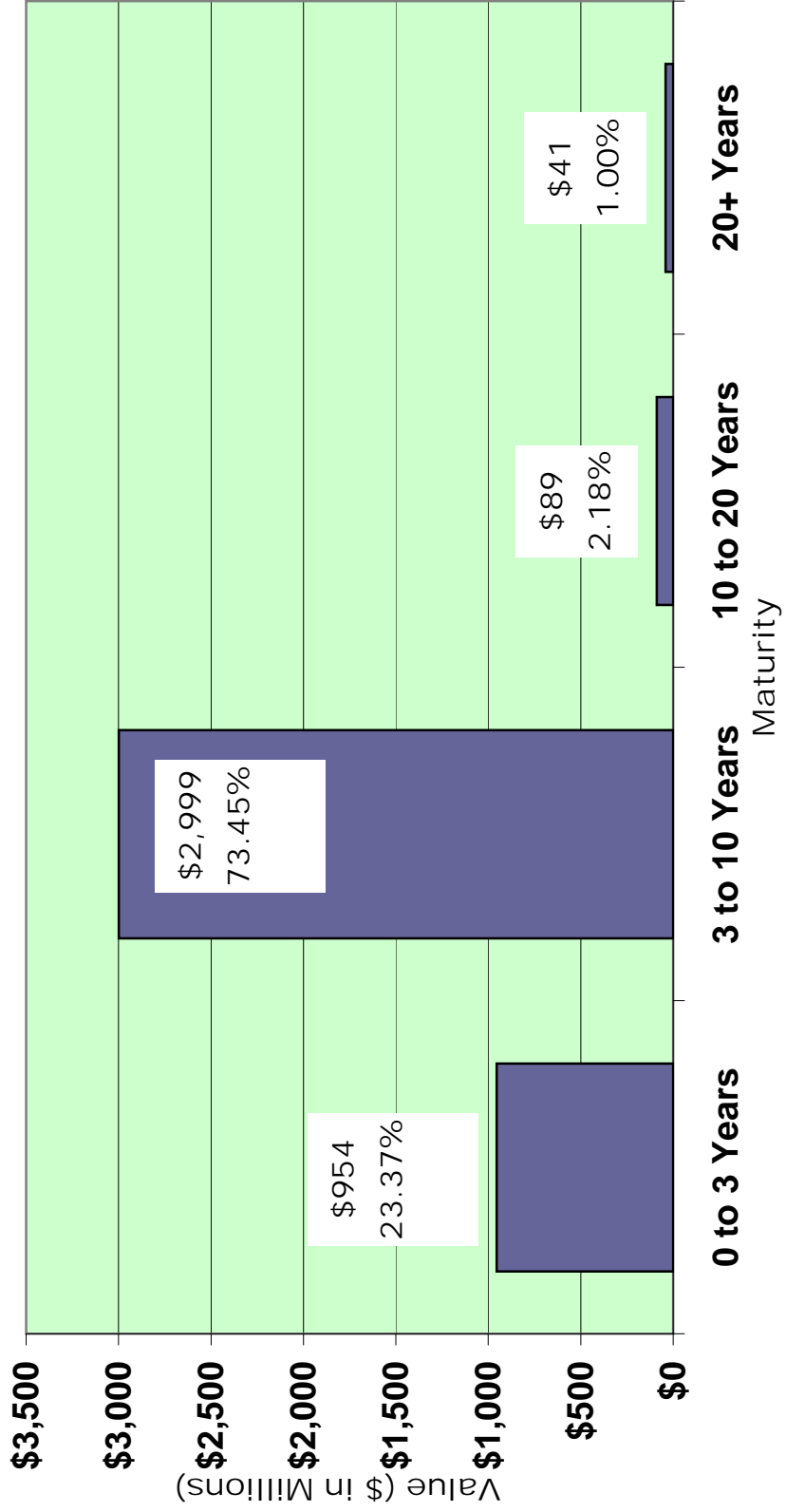
Total Market Value \$1,727 Million



Fixed Income Internal Portfolio Corporate Portfolio Maturity Distribution

As of June 30, 2011

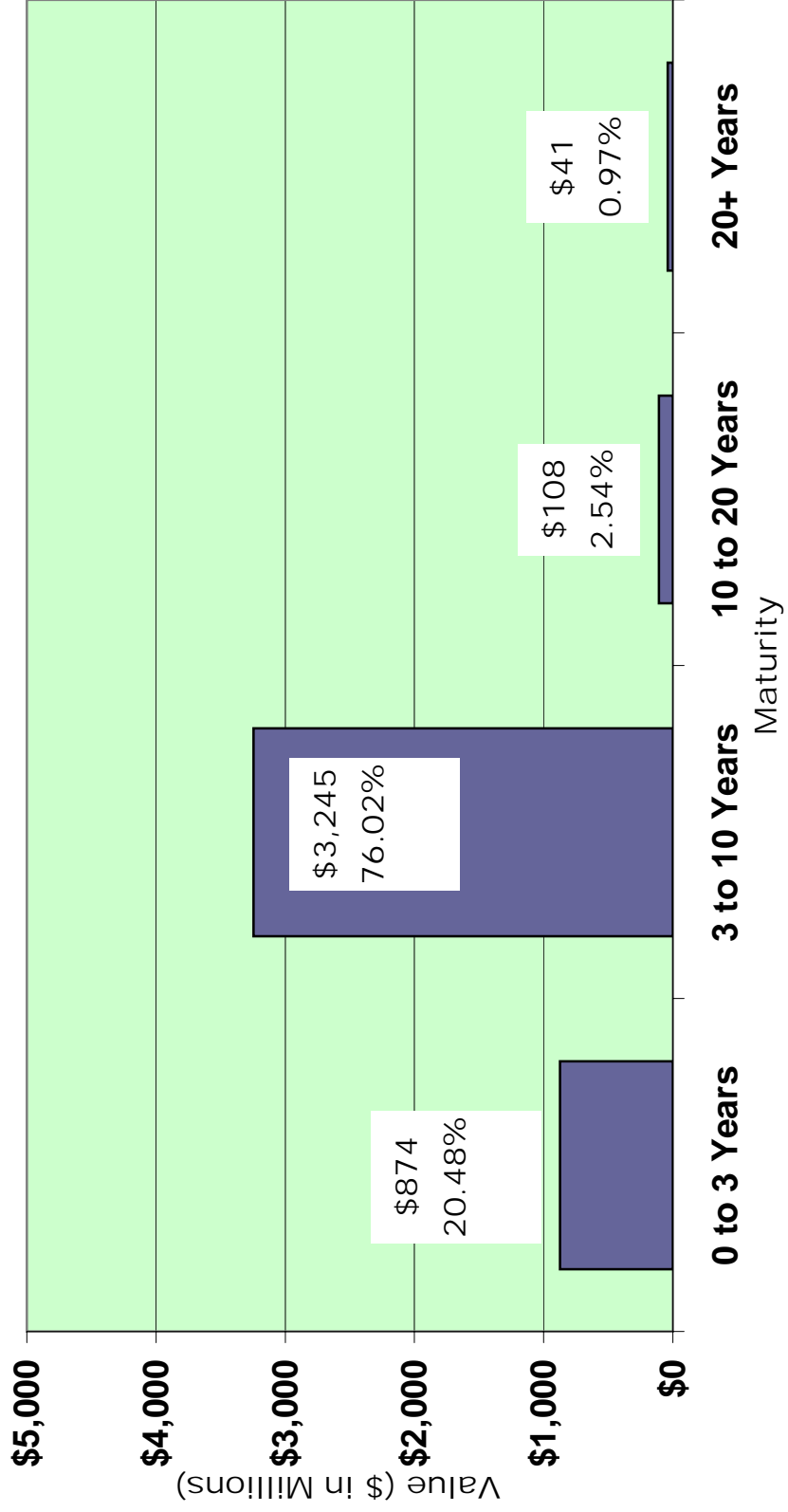
Average Maturity of July 2016
Total Market Value \$4,084 Million



Fixed Income Internal Portfolio Corporate Portfolio Maturity Distribution

As of March 31, 2011

Average Maturity of August 2016
Total Market Value \$4,268 Million



Fixed Income Internal Portfolio Top Ten Corporate Holdings

As of June 30, 2011				
Name	Par Value	Market Value	Rating*	% of Total Portfolio
General Electric Capital Co.	\$181,675,000	\$181,161,777	Aa2/AA+	3.18%
Emerson Electric Co.	\$100,470,000	\$112,704,377	A2/A	1.98%
Royal Dutch Shell PLC (CL B)	\$97,320,000	\$108,276,419	Aa1/AA	1.90%
Eli Lilly & Co.	\$80,000,000	\$89,833,030	A2/AA-	1.58%
GlaxoSmithKline PLC	\$75,000,000	\$82,831,805	A1/A+	1.45%
Merck & Co Inc	\$69,672,000	\$76,517,297	Aa3/AA	1.34%
Eaton Corp.	\$70,000,000	\$76,152,518	A3/A-	1.34%
E.I. DuPont de Nemours & Co.	\$70,000,000	\$75,650,876	A2/A	1.33%
DTE Energy Co.	\$66,750,000	\$72,201,307	A2/A	1.27%
Target Corp.	\$60,000,000	\$68,308,875	A2/A+	1.20%
TOTAL	<u>\$870,887,000</u>	<u>\$943,638,281</u>		16.55%

As of March 31, 2011				
Name	Par Value	Market Value	Rating*	% of Total Portfolio
General Electric Capital Co.	\$201,675,000	\$201,377,476	Aa2/AA+	3.36%
Royal Dutch Shell PLC (CL B)	\$112,320,000	\$122,206,120	Aa1/AA	2.04%
Emerson Electric Co.	\$100,470,000	\$112,973,482	A2/A	1.88%
Eli Lilly & Co.	\$80,000,000	\$88,168,972	A2/AA-	1.47%
GlaxoSmithKline PLC	\$75,000,000	\$83,482,298	A1/A+	1.39%
Merck & Co Inc	\$69,672,000	\$75,866,355	Aa3/AA	1.27%
E.I. DuPont de Nemours & Co.	\$70,000,000	\$75,612,044	A2/A	1.26%
Eaton Corp.	\$70,000,000	\$75,445,975	A3/A-	1.26%
DTE Energy Co.	\$66,750,000	\$70,549,939	A2/A	1.18%
Target Corp.	\$60,000,000	\$68,411,823	A2/A+	1.14%
TOTAL	<u>\$905,887,000</u>	<u>\$974,094,483</u>		16.25%

*Moody's/Standard & Poor's

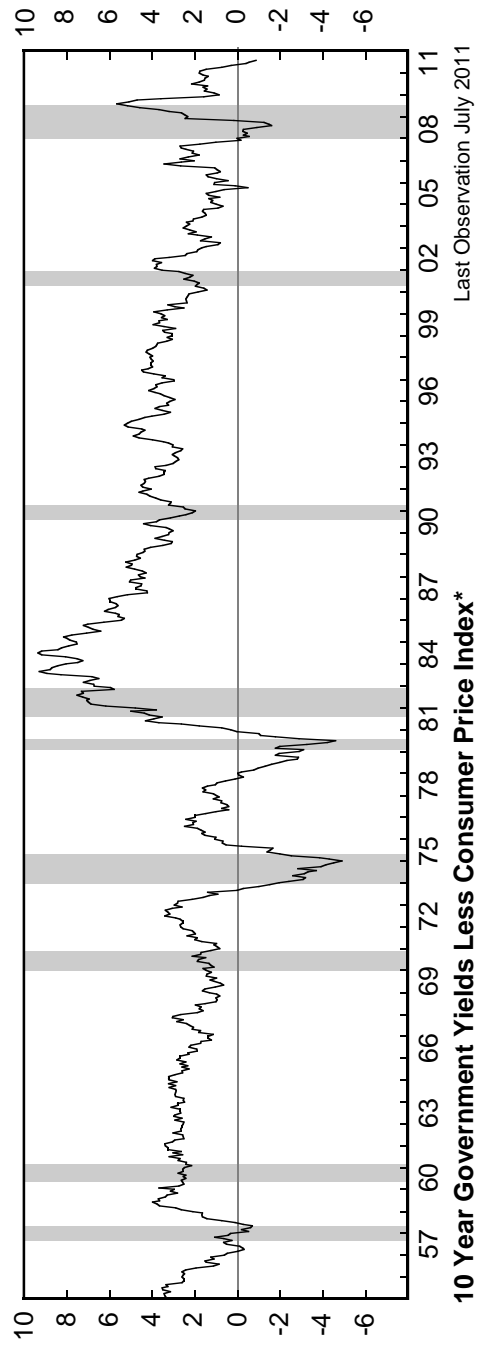
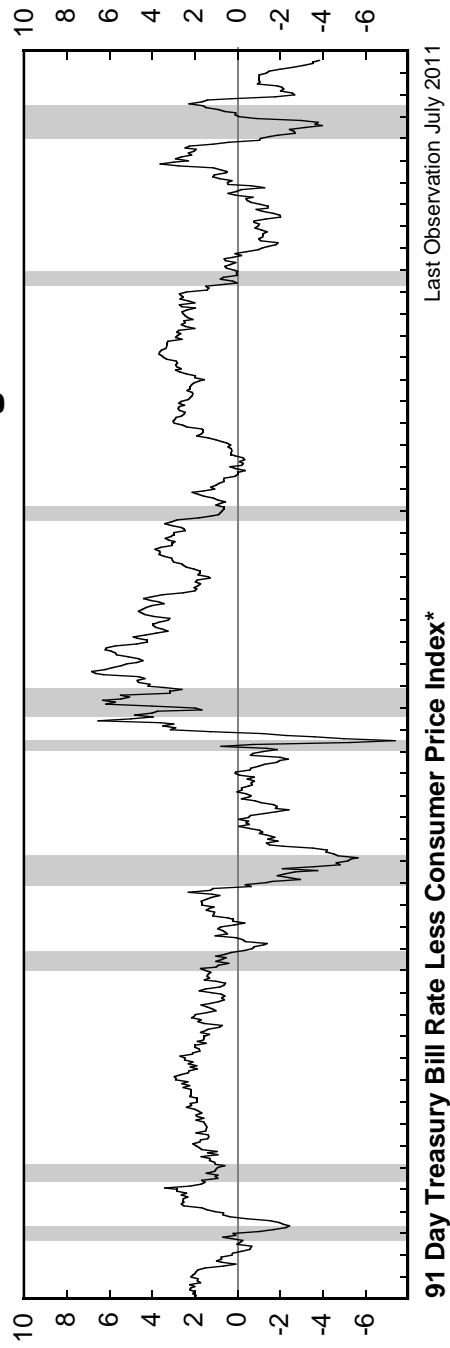
Fixed Income Internal Portfolio (Purchases) / Sales

March 31, 2011- June 30, 2011

GOVERNMENT PORTFOLIO	
<i>Purchases</i>	<i>Market Value</i>
U.S. Agencies	<u>(\$29,327,800)</u>
Total Purchases	(\$29,327,800)
<i>Sales/Calls/Maturities</i>	
U.S. Agencies	\$71,625,000
GNMA	161,781
U.S. Guaranteed	<u>30,265,795</u>
Total Sales/Calls/Maturities	\$102,052,576
 NET SALES	 <u><u>\$72,724,776</u></u>

CORPORATE PORTFOLIO	
<i>Purchases/Transfers</i>	<i>Market Value</i>
BBB	(\$14,871,600)
Not Rated	<u>(\$3,000,000)</u>
Total Purchases/Transfers	(\$17,871,600)
<i>Sales/Calls/Maturities</i>	
AAA	\$9,431,000
AA	\$42,786,530
A	\$87,821,901
BBB	<u>109,488,695</u>
Total Sales/Calls/Maturities	\$249,528,126
 NET SALES	 <u><u>\$231,656,526</u></u>

Real Interest Rates: Short & Long Term



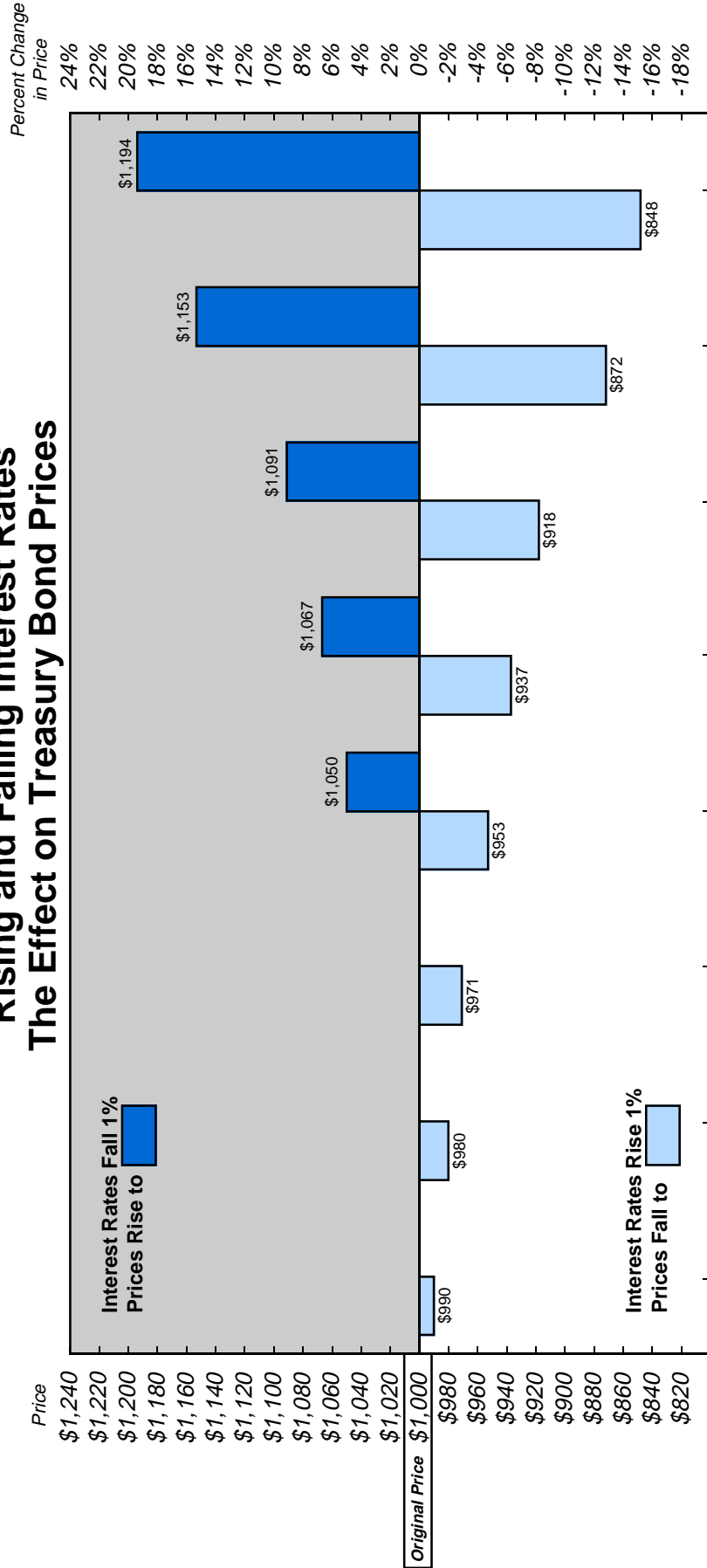
*CPI data for July is preliminary.

Consumer Price Index = CPI Annual Growth Rate

Shaded areas represent recessionary periods.

Sources: Federal Reserve Board; Bureau of Labor Statistics • Copyright © 2011 Crandall, Pierce & Company • All rights reserved.

Rising and Falling Interest Rates The Effect on Treasury Bond Prices



Maturity:	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years	20 Years	30 Years
Price	N/A	N/A	N/A	\$1,050	\$1,067	\$1,091	\$1,153	\$1,194
% Chg.	N/A	N/A	N/A	5.00%	6.70%	9.10%	15.30%	19.40%
Falling Rates	N/A	N/A	\$1,015	\$1,024	\$1,033	\$1,044	\$1,073	\$1,091
% Chg.	N/A	N/A	1.50%	2.40%	3.30%	4.40%	7.30%	9.10%
Rising Rates	N/A	\$1,005	\$1,007	\$1,012	\$1,016	\$1,022	\$1,036	\$1,044
% Chg.	N/A	0.50%	0.70%	1.20%	1.60%	2.20%	3.60%	4.40%
Original Price:	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
0.25%	\$998	\$995	\$993	\$988	\$984	\$979	\$966	\$958
% Chg.	-0.20%	-0.50%	-0.70%	-1.20%	-1.60%	-2.10%	-3.40%	-4.20%
0.50%	\$995	\$990	\$985	\$976	\$968	\$958	\$933	\$919
% Chg.	-0.50%	-1.00%	-1.50%	-2.40%	-3.20%	-4.20%	-6.70%	-8.10%
1.00%	\$990	\$980	\$971	\$953	\$937	\$918	\$872	\$848
% Chg.	-1.00%	-2.00%	-2.90%	-4.70%	-6.30%	-8.20%	-12.80%	-15.20%

Sources: Federal Reserve Board; Copyright © 2011 Crandall, Pierce & Company • All rights reserved.

**STATE OF MICHIGAN
RETIREMENT SYSTEMS**

REAL ESTATE REVIEW

INVESTMENT ADVISORY COMMITTEE MEETING

SEPTEMBER 1, 2011



**Brian C. Liikala, Administrator
Real Estate Division**

EXECUTIVE SUMMARY

- Total market value increased to \$4.7 billion in the second quarter, driven by \$228 million in net capital invested and \$131 million in appreciation. For the quarter, the real estate portfolio continued its recovery with a total return of 3.8%, its fifth straight positive quarterly return. For the trailing four quarters, Real Estate Division (RED) earned a 17.1% total return. This strong return is in spite of an economy that has lacked significant job growth, a key factor for all real estate property types.
- Valuation increases were broad based for nearly all property types. Investors are attracted to institutional grade properties where lenders are eager to provide financing. Operating income increases for these assets remain mixed, with apartments and hospitality seeing the best improvement.
- Noteworthy changes to the regional distribution graph were increases in the market value of apartments and hospitality investments in the northeast region (New York City).
- The leverage ratio moved downward to 54% through deleveraging and an increase in net asset value.
- In the list of Top Ten Advisors, Blackstone Real Estate Advisors has entered the list due to market value increases and capital contributions.
- Unfunded capital commitments totaled \$518 million. The RED is also executing sales of non- strategic office buildings and apartment projects in secondary markets with limited upside potential at attractive prices.
- In the commercial mortgage-backed securities (CMBS) market, spreads for AAA rated classes were volatile in reaction to the slowdown in the economy and federal deficit debate. CMBS delinquencies stood at 8.64% but were offset by increasing loan resolutions. New issuance for CMBS in 2011 is expected to be revised downward to \$35 billion.
- Expect market transactions to increase as there is ample equity available from real estate funds for investment. We continue to concentrate our efforts to increase our West Coast market exposure, as strong gains in the tech industry in Northern California, the entertainment business in Southern California, and Boeing in Seattle contribute to improving economies. Internationally, we placed our first commitment to a Brazil real estate fund. This very experienced manager will continue successfully executing its strategy of housing development for the growing middle class population.
- Opportunities for investors lie in the ability to develop apartments in major urban markets, recapitalize troubled portfolios, consistently communicate with lenders for distressed assets, sell properties to REITs flush with capital, and exhibit patience in order to find properties in markets that will be first to recover.
- The NPI and Open-End Diversified Core Equity (ODCE) quarterly returns graph is attached.

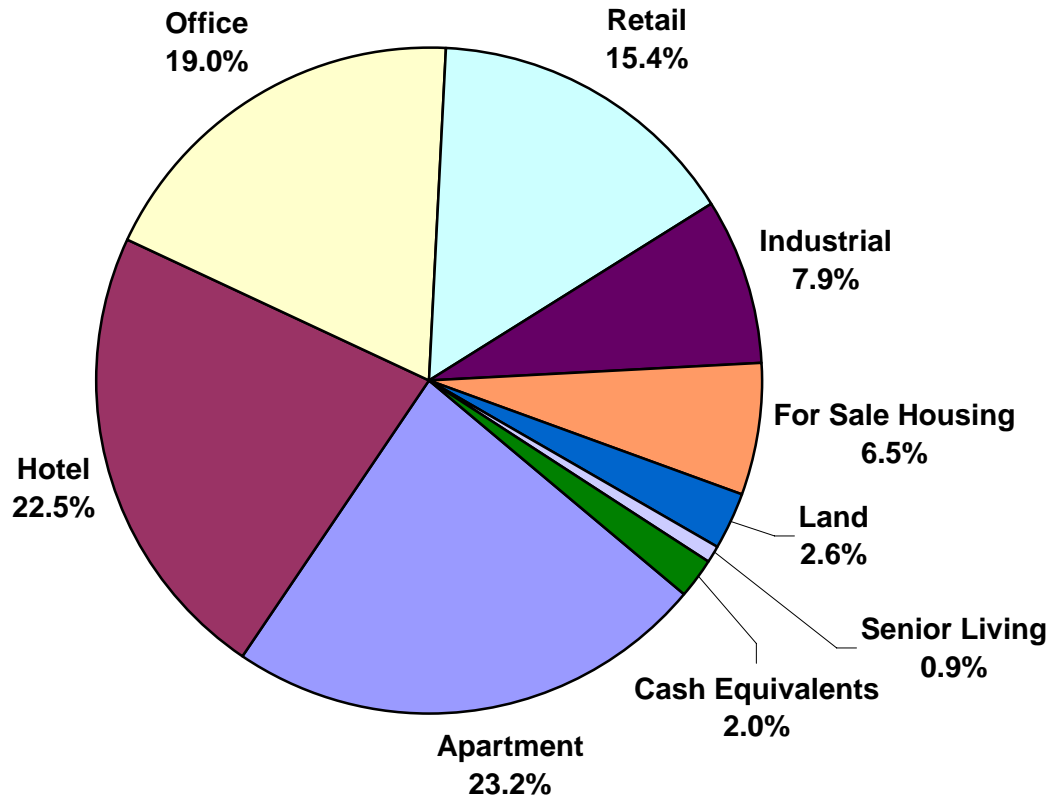


SMRS

Real Estate Holdings

By Property Type

6/30/11

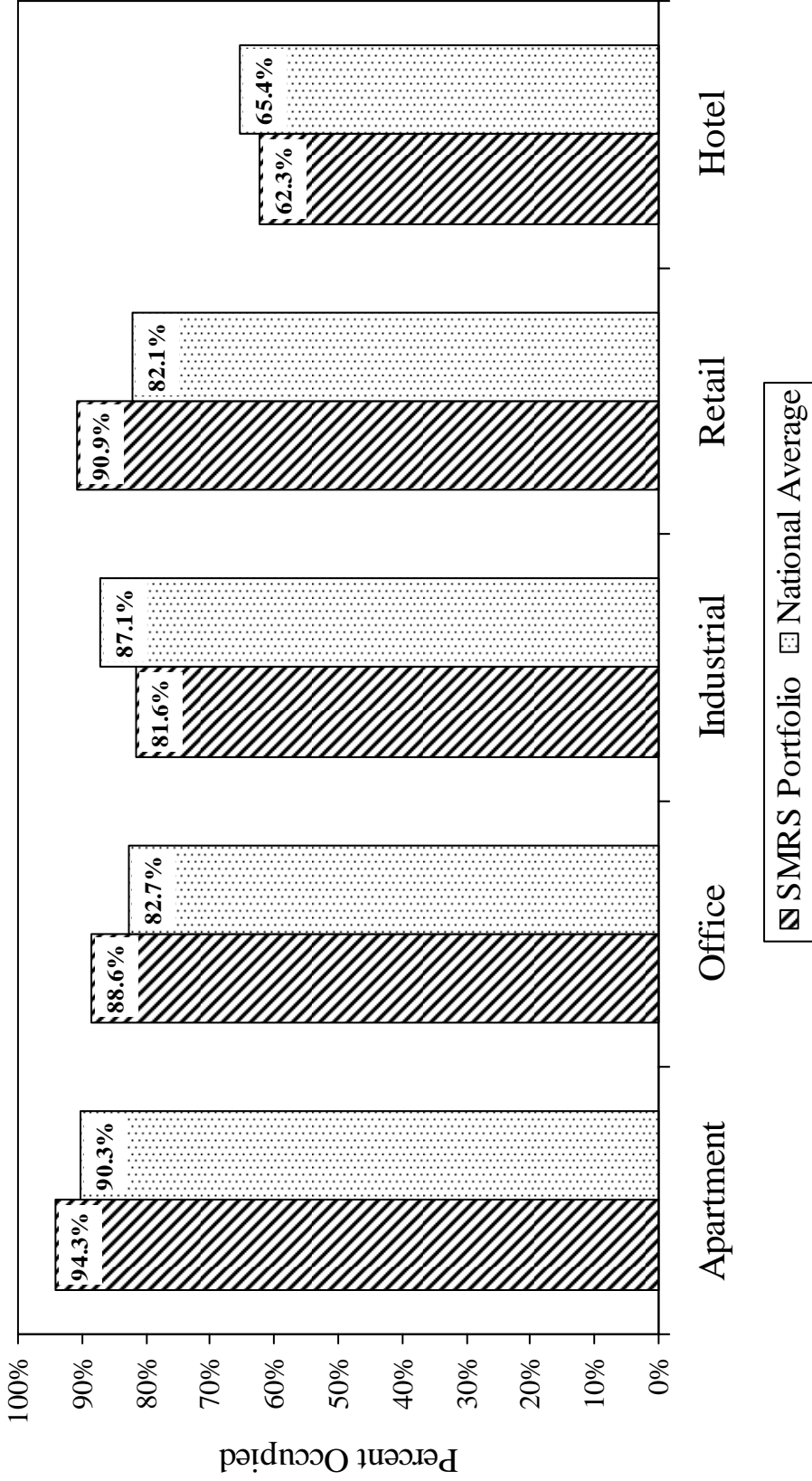


Market Value in Millions				
	<u>6/30/2011</u>		<u>3/31/2011</u>	
Apartment	\$1,105	23.2%	\$1,072	24.0%
Hotel	1,073	22.5%	869	19.4%
Office	907	19.0%	841	18.8%
Retail	732	15.4%	690	15.4%
Industrial	376	7.9%	370	8.3%
For Sale Housing	311	6.5%	295	6.6%
Land	124	2.6%	114	2.5%
Senior Living	44	0.9%	63	1.4%
Total Investments	\$4,672	98.0%	\$4,314	96.4%
Cash Equivalents	93	2.0%	160	3.6%
Total	\$4,765	100.0%	\$4,474	100.0%

REAL ESTATE DIVISION

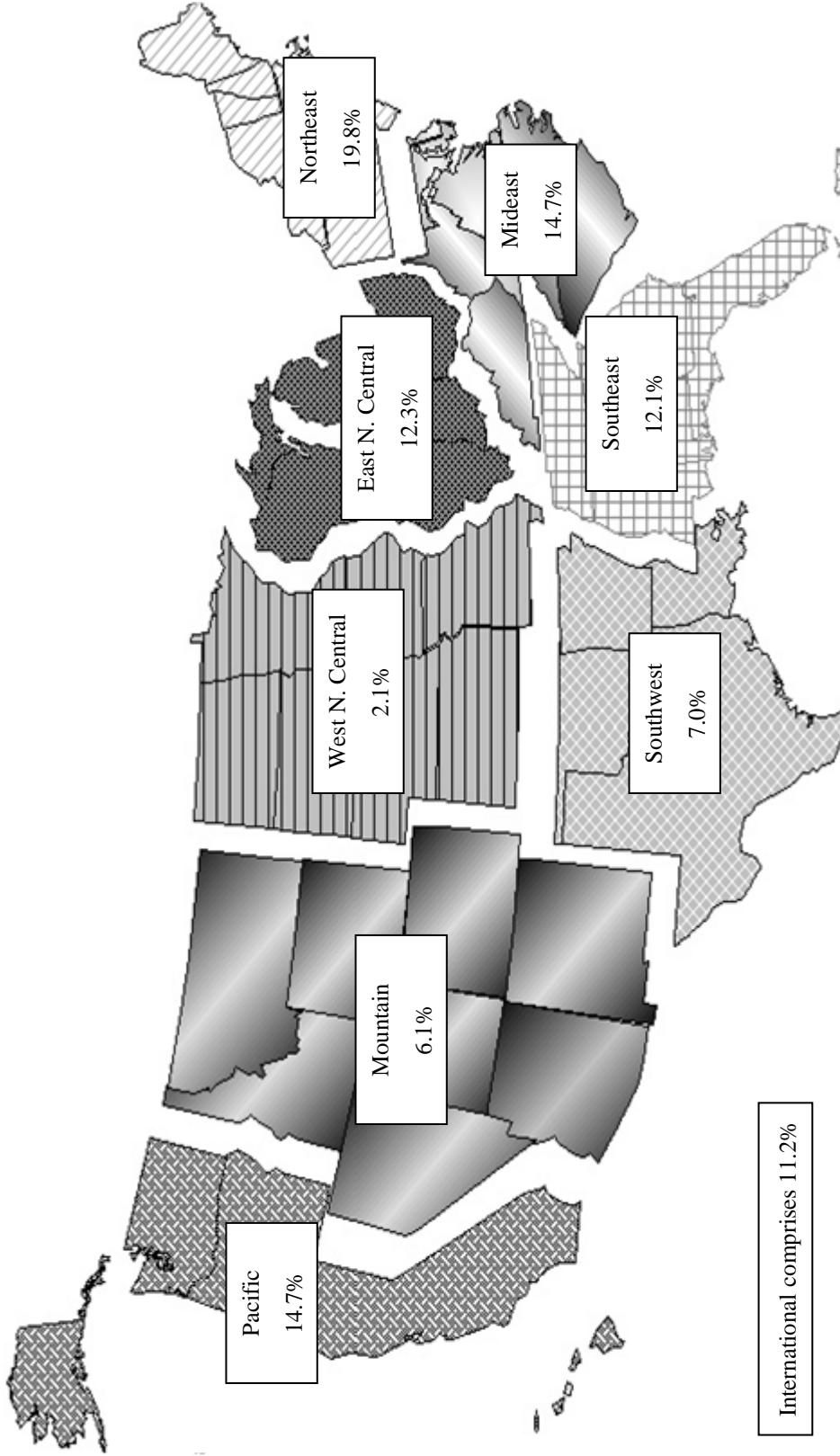
Occupancy by Property Type

June 30, 2011



National Average Source: US Census Bureau (Apartment), CB Richard Ellis (Office & Industrial), Property & Portfolio Research (Retail), Smith Travel Research (Hotel)
 Excludes International Real Estate Investments

Real Estate By Region
Based on Net Market Value
(excludes cash & cash equivalents)
June 30, 2011



Geographic regions defined by NCREIF, whose property index composition is: Pacific 27.6%, Mountain 5.8%, West N. Central 2.0%, Southwest 10.6%, East N. Central 8.4%, Southeast 12.1%, Northeast 18.9%, Midwest 14.6%

REAL ESTATE DIVISION

June 30, 2011

Portfolio Leverage Summary

<u>Gross Market Value</u>	<u>Existing Debt *</u>	<u>Loan to Value %</u>
\$ 10,236,786,473	\$ 5,510,530,519	53.8%

Top Ten Advisors or Companies

<u>Advisor or Company</u>	<u>Net Market Value</u>
Clarion Partners (formerly ING Clarion)	\$ 842,644,040
MWT Holdings, LLC **	618,711,822
Edens & Avant	484,803,593
KBS Realty Advisors, Inc.	347,985,440
Principal Real Estate Investors	282,148,519
Kensington Realty Advisors, Inc.	261,263,121
Winnington Capital Ltd.	176,754,233
Morgan Stanley Real Estate	129,443,560
Blackstone Real Estate Advisors	127,180,864
CIM Group, Inc.	123,956,838
	<u>\$ 3,394,892,030</u>

Footnotes:

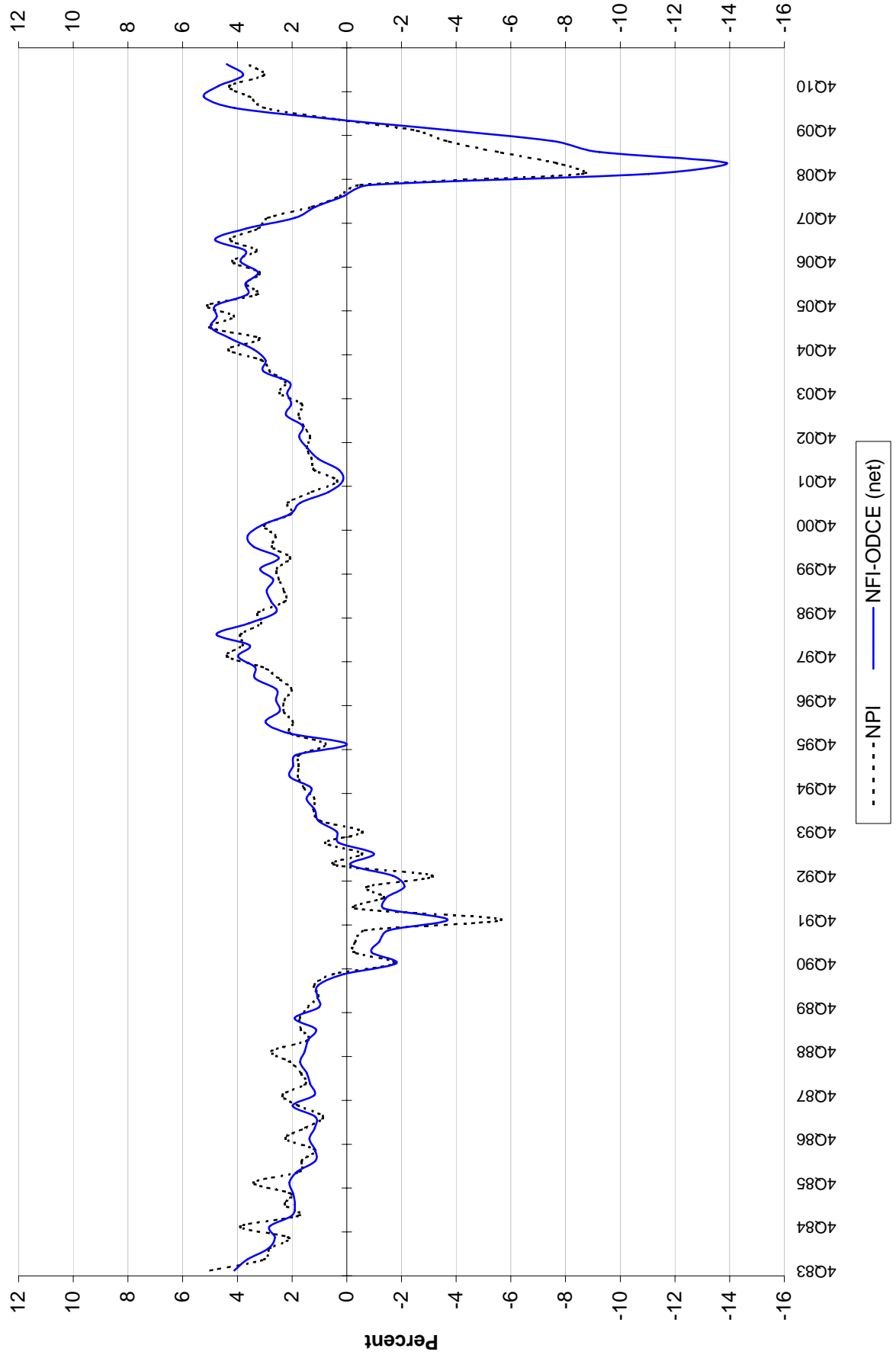
* Existing debt is comprised of property level debt.

** SMRS owns approximately 50% of Simpson Housing through MWT Holdings LLC

REAL ESTATE DIVISION
Net Market Values by Ownership Entity
June 30, 2011

	Net Market Value	Unfunded Commitment
801 Grand Avenue Capital, LLC	\$ 144,406,258	\$ 0
AGL Annuity Contract GVA 0016	115,774,073	0
Beacon Capital Strategic Partners IV, LP	23,140,152	500,000
Beacon Capital Strategic Partners V, LP	17,666,822	11,500,000
BlackRock Retail Opportunity Fund, LLC	13,537,103	15,000,000
Blackstone Real Estate Partners V, LP	49,711,715	4,348,616
Blackstone Real Estate Partners VI, LP	77,469,149	12,693,540
Capri Select Income II	6,424,825	0
Capri Urban Investors, LLC	13,033,591	6,184,500
CIM Fund III, LP	49,064,032	29,379,868
CIM Urban REIT, LLC	74,500,651	0
CIM VI (Urban REIT), LLC	392,155	24,500,000
City Lights Investments, LLC	117,989,687	6,500,000
Cobalt Industrial REIT	49,406,784	0
Cobalt Industrial REIT II	63,763,891	0
Coolidge Investment Partners, LP	95,638,000	0
CPI Capital Partners N.A., LP	14,706,026	0
Devon Real Estate Conversion Fund, LP	6,289,461	0
Domain GVA-1, LLC	189,040,350	0
Domain Hotel Properties, LLC	609,110,716	0
Dynamic Retail Trust	45,655,000	3,655,000
Edens & Avant Investments, LP	439,148,593	65,000,000
Federal Street, LLC	52,289,997	0
Gateway Capital R/E Fund II, LP	87,515,607	6,855,001
Great Lakes Property Group Trust	248,827,364	0
Invesco Mortgage Recovery Feeder Fund	36,062,098	24,052,566
JBC Opportunity Fund III, LP	21,940,228	6,670,354
JBCM Operating, LP	532,474	0
KBS/SM Fund III, LP	203,757,507	0
L & B Medical Properties Partners, LP	9,297,091	2,970,395
Landmark Real Estate Partners V, LP	36,227,213	7,500,000
LaSalle Asia Opportunity Fund II, LP	13,299,192	1,183,670
LaSalle Asia Opportunity Fund III, LP	31,710,216	57,029,920
Lion Industrial Trust	95,061,075	0
Lion Mexico Fund, LP	42,834,249	4,251,910
Lowe Hospitality Investment Partners	2,115,182	0
MERS Acquisitions, Ltd.	91,127,600	1,437,722
Morgan Stanley R/E Fund V - International	17,080,889	0
Morgan Stanley R/E Fund VI - International	35,423,019	0
Morgan Stanley R/E Fund V - U.S.	5,397,230	0
MSRE Mezzanine Partners LP	3,871,319	0
Morgan Stanley R/E Special Situations Fund III	67,671,103	0
MWT Holdings, LLC	618,711,822	17,500,000
Northpark-Land Associates, LLLP	25,717,851	0
Paladin Realty Brazil Investors III (USA), LP	13,289,255	26,710,745
Principal Separate Account	137,742,261	0
Rialto Real Estate Fund, LP	41,373,974	8,799,537
SM Brell II, LP	144,227,933	0
Stockbridge Real Estate Fund II-C, LP	21,161,548	5,456,918
Strategic LP	108,823,636	48,937,833
SWA Acquisitions, Ltd.	7,382,716	0
Trophy Property Development LP	176,754,233	15,000,000
Trophy Property Development II LP	0	50,000,000
True North High Yield Investment Fund II	10,453,129	39,546,871
Venture Center, LLC	42,489,741	0
Western National Realty Fund II, LP	6,198,479	15,035,799
	\$ 4,672,236,265	-
Short Term Investments and Other	92,351,760	-
Total Real Estate Division	\$ 4,764,588,025	\$ 518,200,765

NCREIF Quarterly Returns NPI and NFI-ODCE



Source: National Council of Real Estate Investment Fiduciaries (NCREIF).
 NPI = NCREIF Property Index
 NFI-ODCE = NCREIF Fund Index Open-end Diversified Core Equity

**STATE OF MICHIGAN
RETIREMENT SYSTEMS**

**INTERNATIONAL EQUITY
REVIEW**

INVESTMENT ADVISORY COMMITTEE MEETING

SEPTEMBER 1, 2011



**Richard J. Holcomb, CFA, Administrator
Quantitative Analysis Division**

EXECUTIVE SUMMARY

Outlook

- International equities are expected to remain under pressure as recognition of system credit risk progresses, and write-offs continue. Greece, Portugal, Italy, and Ireland debt problems are visible and exposures are being determined and disclosed. Structural reforms that reduce risk have been started, but harmonized accounting rules and regulations are illusive goals. Earnings growth in the next year is expected to be slower than U.S. growth. Growth expectations in emerging markets are still aggressively positive. Political instability remains an issue.
- Indices are at reasonable levels for progressive buying of exposure over the next six months with some tactical considerations and adjustments. These additions will be primarily through external managers to continue diversification, and recognize an environment that allows for more return dispersion and reward for fundamental analysis techniques.
- Emerging markets are expected to discount weaker commodities pricing and economic concerns. Chinese industry consolidation combined with slowing remittances from working citizens in developed countries, makes past stronger levels of individual country internal demand and/or growth difficult. Political instability, lack of an established and tested legal system, regulation and possible nationalization of assets, and changing tax regimes are continuing concerns. Individual company financing of receivables and other strategic changes will be reduced for many company returns.

Investment Plan

- Move toward desired higher asset allocation targets in a progressive series of investments with both passive and active managers. Take advantage of external managers and established conduits for internal swap investments as market corrections occur. Move some assets from other categories as international equities become more attractive on a relative basis.
- Add new counterparties with strong credit ratings and unique capabilities for diversification and helpful information for decision making. Identify attractive niche investments to add to returns.
- Be aware of opportunistic situations with non-benchmark and active products that may be stressed by withdrawal activities if they occur, and accept reasonable tracking error risk to products based on other benchmarks. These products will have liquidity, but will introduce additional tracking error.
- Encourage managers to view U.S. equities as substitutes for international equities up to 20% of the funds as they did earlier with emerging markets holdings. This would also allow managers with global sector expertise to add to performance.
- Take advantage of the availability of attractive corporate spreads in Libor notes that reset quarterly, and continue to recognize improvements in pricing from earlier disruption levels. Prepare for derivative market changes by focusing on standardized structures and more frequent settlement requirements. Regulatory clarification for international local country index derivatives is not expected until the end of 2012.

Performance Review for International Investments

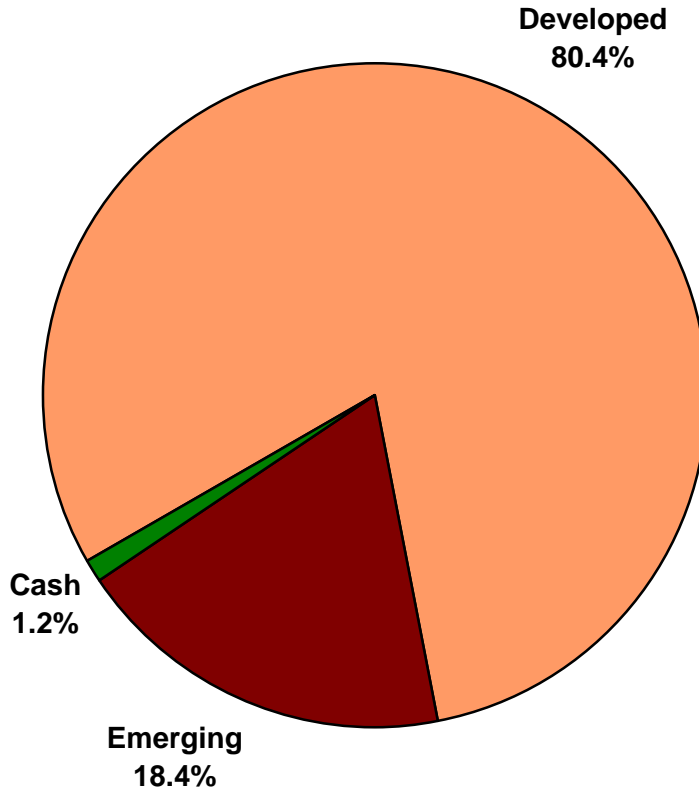
September 1, 2011

- Performance of the total international equity position versus our S&P/Citigroup BMI-EPAC 25% hedged benchmark was +0.87% versus +1.04% in the second quarter, resulting in a -17 basis points (bp) tracking error and +145 bp for the trailing year. Both variance numbers are within the normal expected range that recognizes a 250 typical bp possible variance. The three and five-year numbers continue to reflect the market decline in 2009 and the significant fixed income price disruption environment. The 75/25 approach to currency exposures is designed to reduce longer-term variance of international returns, and was changed at the beginning of 2011 from 50/50 in anticipation of potential long periods of U.S. dollar weakness and the advantage of closer comparisons with peer groups. The three and five-year tracking error numbers were +35 and +65, respectively.
- The largest component in passive exposure to international developed market returns is the internally managed stock plus fund. The \$2.0 billion of negotiated swap agreement contracts are combined with internally managed fixed income Libor note holdings and a Global Dividend Income fund. All counterparties used for swap agreements are investment grade. The net unrealized gain on the combined positions was \$570 million as of June 30, 2011. From April through June, three swaps matured and were replaced to implement asset target objectives. Completed agreements had combined gains of \$21 million and \$2 million of interest in excess of counterparty obligations was recognized. Recognized but unrealized gains from fixed income Libor notes “remarked at lower cost values” but expected to be held to maturity are now \$61 million. Other equity holdings completing total exposures to reduce benchmark variance were approximately \$63 million. Libor notes held are listed at the end of this report.
- Externally managed funds in this category totaled \$1.3 billion.
- External active international fund managers are compared to the S&P Developed BMI World X U.S. benchmark index in U.S. dollars, which had a return of +0.88% in the quarter and +31.82% for the trailing year. Manager returns are now higher, and reflect positive returns for investment processes emphasizing higher quality stocks and investments in the small and midcap groups. External active managers have been given the authority to use a limited amount of emerging market exposure (i.e. for security substitution purposes), but those uses are considered individually and are constrained to no more than 20% of their portfolios.
- The Emerging Market Index returns were -1.2% for the quarter, and +27.8% for the trailing year. Passive and active exposure of \$1.3 billion to emerging markets play a significant diversification role, but returns were negative in the second quarter. Seventy three percent of exposure to Emerging Markets is passive.



SMRS

International Equity Holding By Category SMRS Versus Benchmark 6/30/11

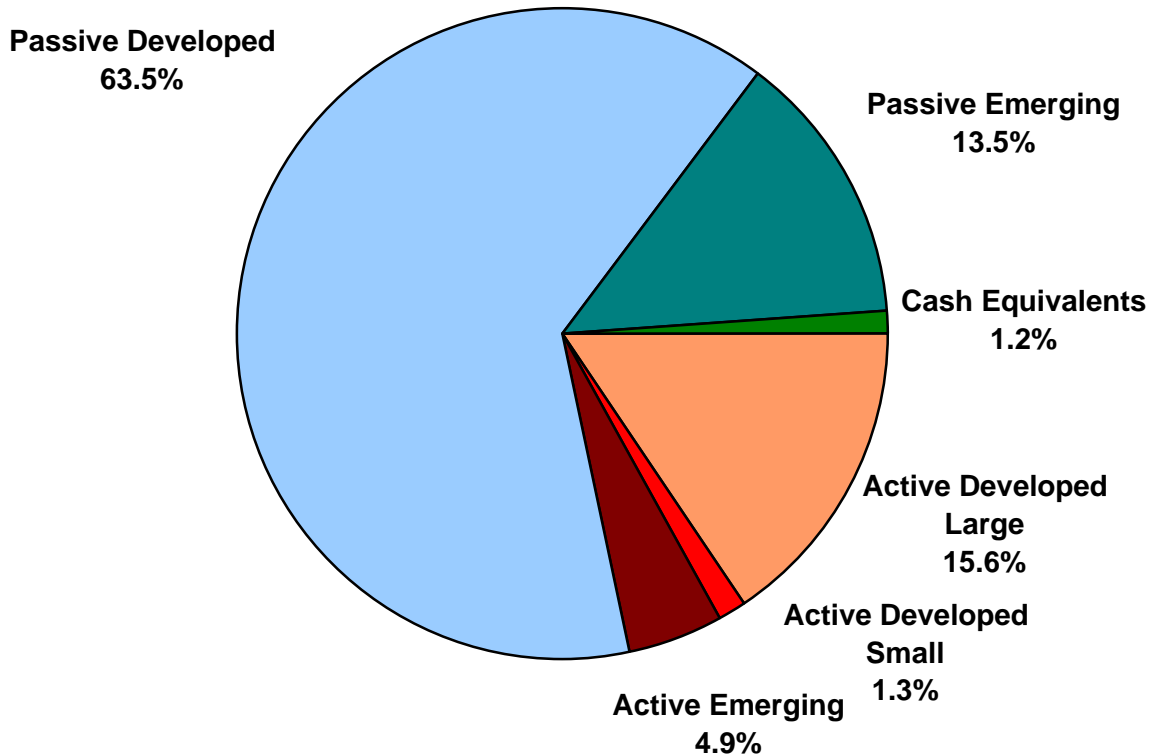


Investments by Region		
	<u>SMRS</u>	<u>Benchmark</u>
Developed	80.4%	78.7%
Emerging	18.4%	21.3%
Sub-Total	98.8%	100.0%
Cash	1.2%	0.0%
Total	100.0%	100.0%



SMRS

International Equity Holdings By Category 6/30/11



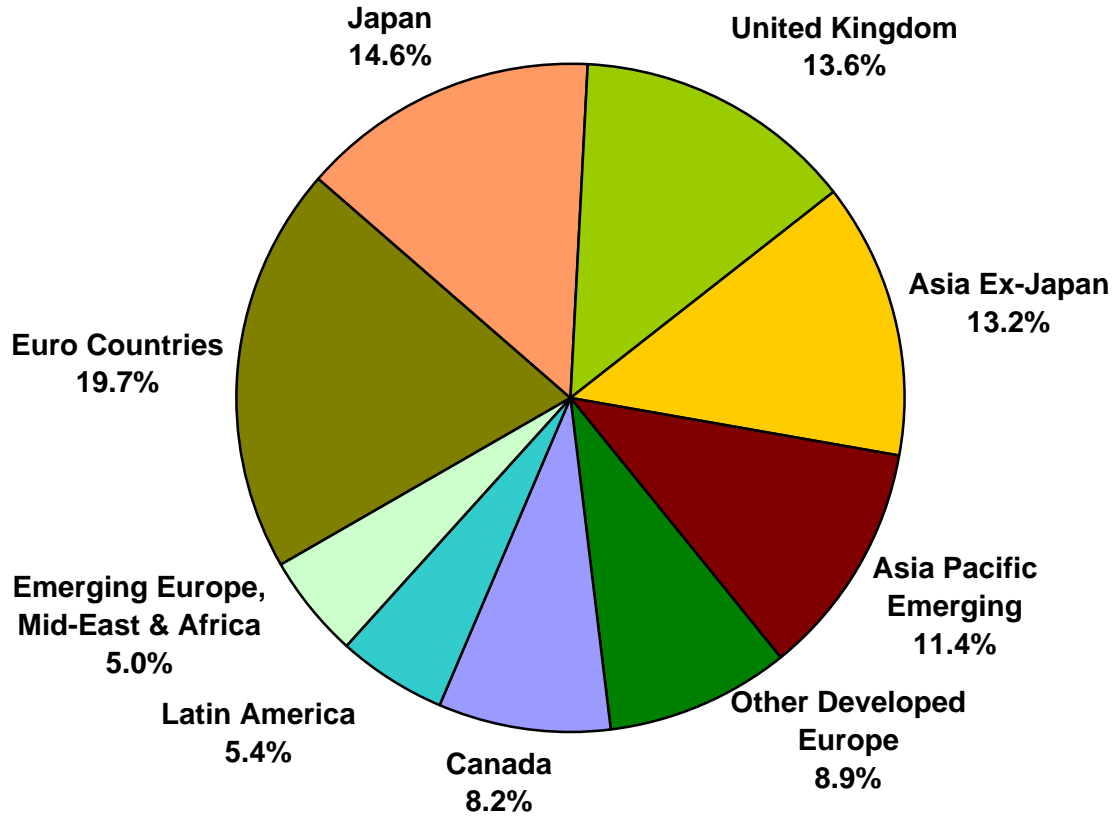
Market Value in Millions				
	6/30/2011		3/31/2011	
Active				
Developed Large	\$1,146	15.6%	\$1,124	15.5%
Developed Small	93	1.3%	91	1.3%
Emerging	358	4.9%	319	4.4%
Total Active Equity	1,597	21.8%	1,534	21.1%
Passive				
Developed	\$4,653	63.5%	\$4,753	65.4%
Emerging	985	13.5%	974	13.4%
Total Passive Equity	5,638	77.0%	5,727	78.8%
Total Investments	7,235	98.8%	7,261	99.9%
Cash Equivalents	\$91	1.2%	\$4	0.1%
Total International Equity	\$7,326	100.0%	\$7,265	100.0%



SMRS

S&P Global BMI - EX U.S.

6/30/11



Investments by Region

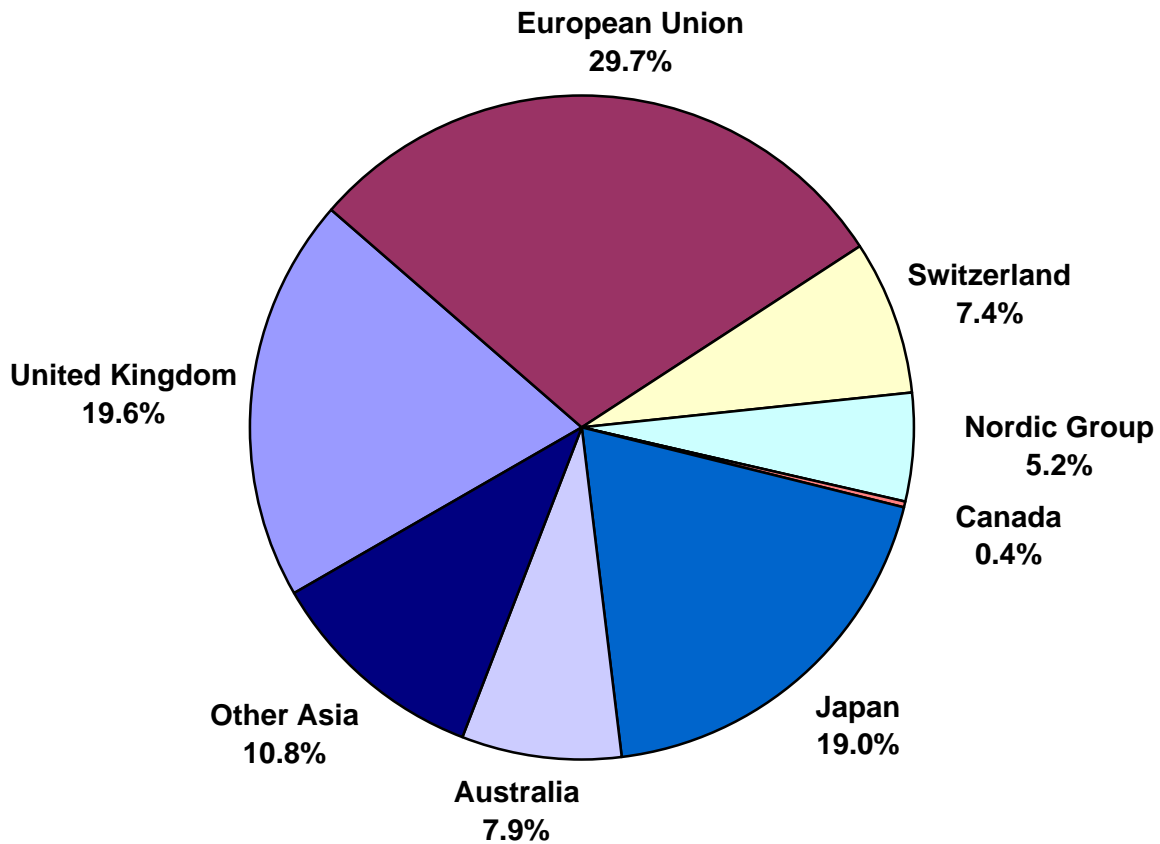
	<u>Benchmark</u>
Euro Countries	19.7%
Japan	14.6%
United Kingdom	13.6%
Asia Ex-Japan	13.2%
Asia Pacific Emerging	11.4%
Other Developed Europe	8.9%
Canada	8.2%
Latin America	5.4%
Emerging Europe, Mid-East & Africa	5.0%
Total	100.0%



SMRS

Developed International Passive Equity SMRS Versus BMI EPAC Benchmark

6/30/11



	<u>SMRS</u>	<u>Benchmark</u>
Europe		
United Kingdom	19.6%	19.6%
European Union	29.7%	29.8%
Switzerland	7.4%	7.4%
Nordic Group	5.2%	5.2%
Other Europe	0.0%	0.0%
Total Europe	61.9%	62.0%
Asia		
Japan	19.0%	19.2%
Australia	7.9%	8.1%
Other Asia	10.8%	10.7%
Total Asia	37.7%	38.0%
Canada	0.4%	0.0%
Total	100.0%	100.0%

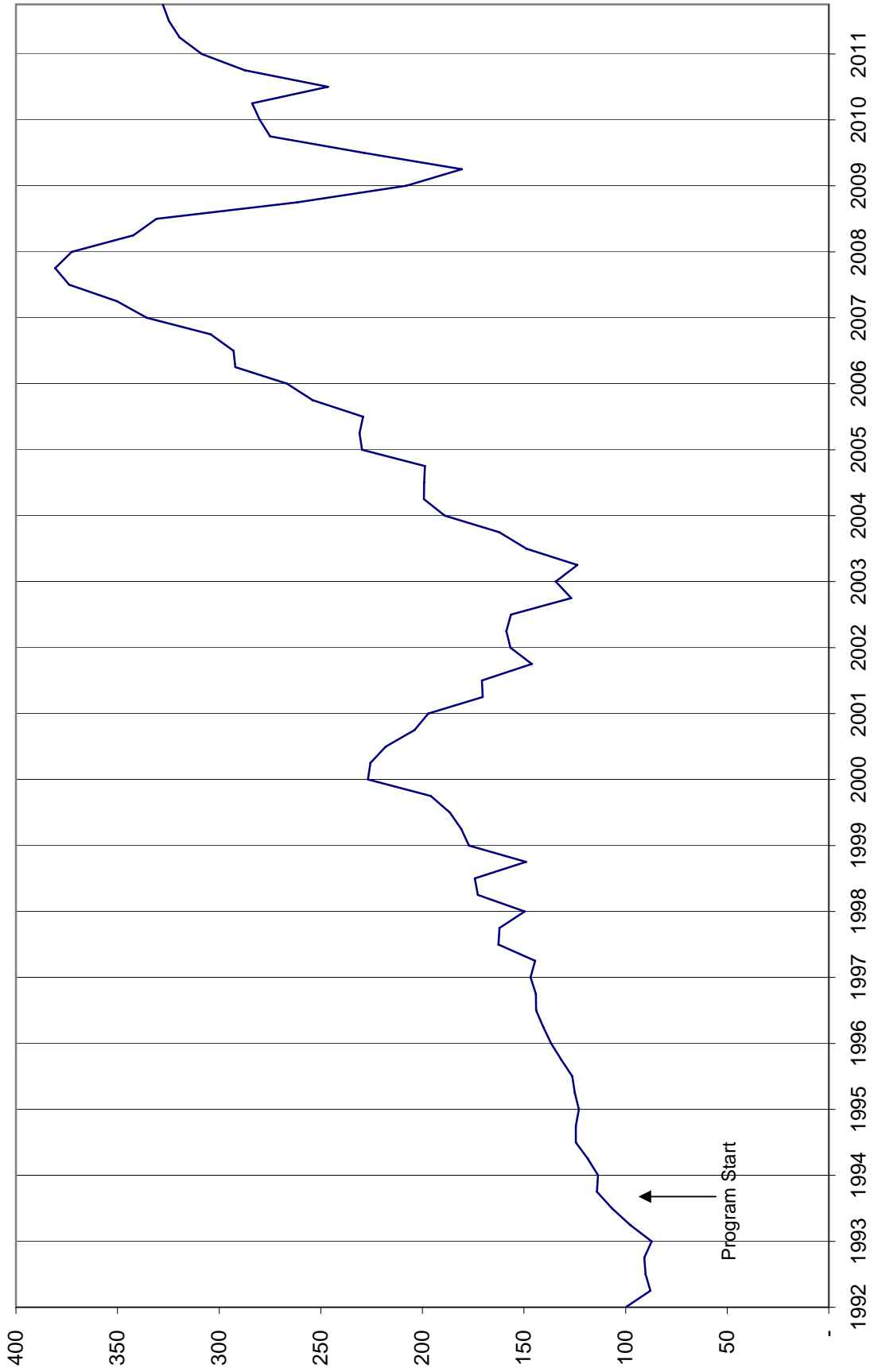
Total Developed International Passive Equity Investment: \$4,653 Million

SMRS NON-US EQUITIES

June 30, 2011

	<u>INDEXED</u>	<u>ACTIVE</u>	<u>TOTAL</u>	<u>Percent</u>
Developed Markets - Large/Mid Capitalization				
Internal Stock Plus Combination	\$2,945,832,824		\$2,945,832,824	
SSgA PMI fund	525,340,014		525,340,014	
Vanguard Developed Markets Fund	842,594,365		842,594,365	
SSgA International Alpha Select BMI Fund		\$473,639,008	473,639,008	
Wellington International Research Equity Fund		450,733,920	450,733,920	
PIMCO Stock Plus		221,298,568	221,298,568	
Sub-Total Developed Large/Mid Cap	\$4,313,767,203	\$1,145,671,496	\$5,459,438,699	74.5%
Developed Markets - Small Capitalization				
SSgA EMI Fund	\$430,153,199		\$430,153,199	
SSgA International Small Cap Alpha Fund		\$93,637,514	93,637,514	
Sub-Total Developed Small Cap			\$523,790,713	7.1%
Total Developed Markets			\$5,983,229,412	81.7%
Emerging Markets - All Capitalization				
Vanguard Emerging Mkt Stock Index Fund	\$984,867,149		\$984,867,149	
LACM Emerging Market Fund		\$63,540,031	63,540,031	
PIMCO Emerging Market Fund		\$294,535,895	294,535,895	
Total Emerging			\$1,342,943,075	18.3%
TOTAL	\$5,513,710,952	\$1,550,566,179	\$7,326,172,487	100%
Percent	75.3%	21.2%		

BMI EPAC Net Dividend Return Index (USD)



SMRS SWAP AGREEMENTS

International Equity Exposure

Maturity Date	Trade Date	Notional	Countries	Indices	Local	U.S.
					Currency FX Expos.	Dollar No FX Expos.
07/13/2011	07/13/2010	90,000,000	4	4	100%	0%
07/13/2011	07/15/2008	114,000,000	9	10	50%	50%
07/29/2011	07/29/2008	82,000,000	8	8	49%	51%
10/07/2011	08/20/2010	43,000,000	4	4	100%	0%
10/07/2011	10/07/2008	65,000,000	6	6	100%	0%
10/07/2011	09/24/2010	70,000,000	2	2	100%	0%
10/07/2011	10/07/2008	31,390,047	6	6	0%	100%
10/21/2011	10/21/2008	68,000,000	4	4	50%	50%
10/21/2011	10/18/2010	80,000,000	6	6	100%	0%
10/21/2011	10/20/2010	10,001,325	1	1	100%	0%
10/31/2011	11/05/2010	54,150,538	4	4	100%	0%
10/31/2011	11/01/2008	111,641,691	5	5	100%	0%
12/01/2011	11/24/2008	150,000,000	9	9	100%	0%
12/14/2011	12/17/2010	50,000,000	5	5	0%	100%
12/14/2011	12/16/2008	150,000,000	9	9	50%	50%
12/16/2011	12/29/2008	100,000,000	13	13	100%	0%
01/18/2012	01/18/2011	103,000,000	7	7	32%	68%
01/18/2012	01/18/2011	52,102,223	2	2	0%	100%
02/15/2012	02/15/2011	90,000,000	6	6	33%	67%
02/15/2012	02/15/2011	40,000,000	2	2	0%	100%
03/12/2012	03/11/2011	100,000,000	10	10	0%	100%
03/12/2012	03/10/2009	75,000,000	9	9	0%	100%
03/26/2012	03/27/2009	10,000,744	1	1	100%	0%
03/26/2012	03/25/2009	85,000,000	10	10	100%	0%
03/30/2012	04/01/2009	28,894,654	4	4	100%	0%
04/16/2012	04/16/2009	60,000,000	9	9	100%	0%
06/25/2012	06/23/2011	100,000,000	6	6	100%	0%

	Total	2,013,181,222
Notional maturing during 2011		1,269,183,601 63%

Index Reference Summary Price Returns w/o Dividends

Index	Region	6/30/11	05/31/11	03/31/11	YTD	12/31/10	High - Since 12/31/09	Level	Date	Low - Since 12/31/09	Level	Date
Description	Description	Current Level	MTD	QTD	% Chg	Level	% Chg	% Chg	Date	% Chg	Level	Date
US												
DJIA	USA	12,414.34	-1.24%	0.77%	12,319.73	11,577.51	-12.56%	14,198.10	10/11/07	91.88%	6,469.95	3/6/09
S&P 500	USA	1,320.64	-1.83%	-0.39%	1,325.83	1,257.64	-16.21%	1,576.09	10/11/07	98.06%	666.79	3/6/09
S&P Midcap	USA	978.64	-2.16%	-1.05%	989.05	907.25	-3.93%	1,018.65	5/2/11	163.91%	370.83	10/10/02
S&P Small	USA	444.69	-1.93%	-0.43%	446.63	415.73	-3.24%	489.57	5/2/11	162.14%	169.64	10/10/02
NASDAQ Composite	USA	2,773.52	-2.18%	-0.27%	2,781.07	2,652.87	-45.96%	5,132.62	3/10/00	150.21%	1,108.49	10/10/02
NASDAQ 100 (QQQQ)	USA	57.05	-2.24%	-0.66%	57.43	54.46	-52.66%	120.50	3/24/00	188.71%	19.76	10/8/02
Russell 1000	USA	734.48	-1.91%	-0.35%	737.07	696.90	-14.46%	858.63	10/11/07	102.76%	362.25	3/6/09
Russell 2000	USA	827.43	-2.46%	-1.91%	843.55	783.65	-4.74%	868.57	5/2/11	154.67%	324.90	10/10/02
Composite Indices - International												
BMI EPAC (USD)	Non-US Dev.	250.52	-1.45%	0.44%	249.43	242.33	-26.12%	339.11	10/31/07	123.98%	111.85	3/12/03
PMI EPAC (USD)	Non-US Dev.	242.53	-1.44%	0.36%	241.65	235.15	-26.64%	330.58	10/31/07	112.35%	114.21	3/12/03
EMI EPAC (USD)	Non-US Dev.	284.21	-1.46%	0.82%	281.89	271.57	-21.56%	362.32	7/16/07	184.87%	99.77	10/10/02
EAFE i-Share (USD)	Non-US Dev.	60.14	-3.09%	0.10%	60.08	58.22	--	N/A	--	--	N/A	--
EAFE	Non-US Dev.	1,708.08	-1.43%	0.32%	1,702.55	1,658.30	-28.79%	2,398.71	11/1/07	110.02%	813.30	3/13/03
BMI EPAC (Local)	Non-US Dev.	186.90	-1.48%	-1.88%	190.49	189.52	-32.55%	277.12	7/13/07	69.82%	110.06	3/12/03
MSCI Emerging (USD)	Emerging	440.84	-1.54%	-1.15%	445.96	437.02	-6.87%	473.35	10/29/07	486.85%	75.12	9/21/01
Europe												
CAC-40	France	3,982.21	-0.62%	-0.17%	3,989.18	3,804.78	-42.66%	6,944.77	9/4/00	65.85%	2,401.15	3/12/03
DAX-30	Germany	7,376.24	1.13%	4.76%	7,041.31	6,914.19	-9.51%	8,151.57	7/13/07	237.01%	2,188.75	3/12/03
EuroStoxx	Europe	2,848.53	-0.47%	-2.14%	2,910.91	2,792.82	-48.42%	5,522.42	3/7/00	61.35%	1,765.49	3/9/09
UK												
FTSE-100	U.K.	5,945.71	-0.74%	0.63%	5,908.76	5,899.94	-14.21%	6,930.20	1/4/00	81.41%	3,277.50	3/12/03
Pacific												
TOPIX	Japan	849.22	1.28%	-2.32%	868.38	898.80	-53.44%	1,823.89	2/27/07	21.58%	698.46	3/12/09
KOSPI 200	S. Korea	275.17	-2.68%	-1.33%	278.87	271.19	-6.88%	295.51	5/3/11	382.59%	57.02	9/27/01
Currencies												
Euro (\$ / Euro)	Europe	1.4513	1.00%	2.28%	1.4190	1.3384	8.44%	1.3384				
Pound (\$ / Pound)	U.K.	1.6068	-2.23%	0.02%	1.6065	1.5612	2.92%	1.5612				
Yen (Yen / \$)	Japan	80.56	0.97%	2.82%	82.83	81.12	0.70%	81.12				
US Dollar (LC, JPM / \$)	USA	77.60	-0.24%	-1.85%	79.06	80.76	-3.91%	80.76				
FX - Major Curr, Nominal (F USA)		69.76	-0.13%	-1.77%	71.02	74.05	-5.78%	74.05				

Note: Positive returns show local currency strength and USD weakness.

Note: Based on J.P. Morgan Index (US dollar vs. a trade weighted basket of non-US developed market currencies)

SUMMARY OF PASSIVE INTERNATIONAL MANAGERS

6/30/2011

Valuation Report

	<u>Country</u>	<u>Total Cost</u>	% of <u>Total</u>	<u>Current Value</u>	% of <u>Total</u>	<u>Unrealized G/L</u>	% <u>Change</u>
SSgA EMI Fund							
	Europe	\$143,753,110	10.23%	\$274,045,083	15.14%	\$130,291,973	90.64%
	Pacific	<u>100,303,855</u>	7.14%	<u>156,108,117</u>	8.63%	<u>-55,804,262</u>	55.64%
Small-Cap Sub-Total		\$244,056,965		\$430,153,200		\$186,096,235	76.25%
SSgA PMI Fund	EPAC	\$386,008,460	27.46%	\$525,340,015	29.03%	\$139,331,555	36.10%
Vanguard Dev. Mkts Fund	EAFE	765,245,438	54.44%	842,594,365	46.56%	77,348,927	10.11%
Vanguard Dev. Mkts. ETF	EAFE	<u>10,390,760</u>	0.74%	<u>11,424,000</u>	0.63%	<u>1,033,240</u>	9.94%
Large-Cap Sub-Total		\$1,161,644,658		\$1,379,358,380		\$217,713,722	
External Passive Total		\$1,405,701,623	100.00%	\$1,809,511,580	100.00%	\$403,809,957	28.73%

**INTERNATIONAL COMBINED SWAP AGREEMENT POSITION
6/30/2011**

<u>COUNTRY</u>	<u>STOCK INDEX</u>	<u>AVERAGE SET LEVEL</u>	<u>NOTIONAL AMOUNT</u>	<u>% OF TOTAL</u>	<u>INDEX 6/30/2011</u>	<u>CURRENT NOTIONAL</u>	<u>% OF TOTAL</u>	<u>UNREALIZED GAIN/LOSS</u>	<u>% CHANGE</u>
EUROPE									
United Kingdom	FTSE 100 INDEX	4,996.62	\$44,408,574	2.21%	5,945.71	\$48,579,537	1.93%	\$4,170,963	9.39%
United Kingdom	FTSE 100 TOTAL RETURN INDEX	3,180.69	309,000,000	15.35%	3,958.58	401,040,161	15.95%	92,040,161	29.79%
United Kingdom	FTSE 250 INDEX	8,279.30	12,000,000	0.60%	11,934.04	15,580,625	0.62%	3,580,625	29.84%
Germany	DAX INDEX	5,997.01	164,188,833	8.16%	7,376.24	209,472,088	8.33%	45,283,255	27.58%
Germany	DAX MID-CAP INDEX		-	0.00%	10,932.33	-	0.00%	-	
France	CAC 40 INDEX	3,864.39	66,891,707	3.32%	3,982.21	71,369,113	2.84%	4,477,405	6.69%
France	CAC 40 TOTAL RETURN INDEX	6,543.03	136,002,500	6.66%	8,120.03	175,631,919	6.99%	41,629,419	31.07%
France	CAC MID 100 INDEX		-	0.00%	7,588.21	-	0.00%	-	
Switzerland	SWISS MARKET INDEX	6,735.04	23,998,000	1.19%	6,187.07	24,415,280	0.97%	417,280	1.74%
Switzerland	SWISS MARKET TOTAL RETURN INDEX	8,252.54	114,156,732	5.67%	10,062.16	163,242,692	6.49%	49,085,960	43.00%
Switzerland	SPI MEDIUM COMPANIES INDEX		-		7,416.25	-	0.00%	-	
Netherlands	AMSTERDAM EXCHANGES INDEX		-		339.65	-	0.00%	-	
Netherlands	AMSTERDAM EXCHANGES TOTAL RETURN INDEX	605.21	48,088,171	2.39%	888.56	73,921,740	2.94%	25,833,569	53.72%
Netherlands	AMSTERDAM MIDKAP INDEX		-		607.45	-	0.00%	-	
Spain	IBEX 35 INDEX	9,408.00	29,001,800	1.44%	10,359.90	33,977,017	1.35%	4,975,217	17.15%
Spain	IBEX 35 TOTAL RETURN INDEX	14,913.56	33,000,000	1.64%	20,094.50	46,016,614	1.83%	13,016,614	39.44%
Portugal	PORTUGAL PSI-20 INDEX		-	0.00%	7,323.78	-	0.00%	-	
Italy	MILAN MIB30 INDEX	22,732.02	23,998,800	1.19%	20,186.94	21,298,627	0.85%	(2,700,173)	-11.25%
Italy	MILAN MIB30 TOTAL RETURN INDEX	25,695.67	29,997,500	1.49%	31,372.80	36,711,545	1.46%	6,714,045	22.38%
Italy	MILAN MID-CAP INDEX		-			-			
Sweden	OMX (STOCKHOLM) INDEX	814.99	2,000,000	0.10%	1,115.23	2,661,533	0.11%	661,533	33.08%
Sweden	OMX (STOCKHOLM) TOTAL RETURN INDEX	82.66	34,644,751	1.72%	141.04	69,319,959	2.76%	34,675,208	100.09%
Ireland	IRISH OVERALL INDEX		-	0.00%	2,953.29	-	0.00%	-	
Ireland	IRISH OVERALL TOTAL RETURN INDEX	370.32	10,002,500	0.50%	560.61	15,814,412	0.63%	5,811,912	58.10%
Belgium	BEL20 INDEX	5,103.05	34,000,000	1.69%	2,572.58	37,456,280	1.49%	3,456,280	10.17%
Finland	FOX 25 INDEX	53.14	21,000,000	1.04%	52.66	21,419,883	0.85%	419,883	2.00%
Denmark	KFX INDEX	366.53	17,000,000	0.84%	431.06	20,956,054	0.83%	3,956,054	23.27%
Norway	OBX STOCK TOTAL RETURN INDEX	259.07	15,000,000	0.75%	386.66	23,502,134	1.01%	10,502,134	70.01%
Norway	OBX STOCK INDEX		-	0.00%	310.50	-	0.00%	-	
Greece	FTSE/ASE20 INDEX	758.80	5,000,000	0.25%	575.08	3,933,606	0.16%	(1,066,394)	-21.33%
Austria	AUSTRIAN TRADED ATX INDEX	2,719.89	4,000,000	0.20%	2,766.73	4,204,176	0.17%	204,176	5.10%

**INTERNATIONAL COMBINED SWAP AGREEMENT POSITION
6/30/2011**

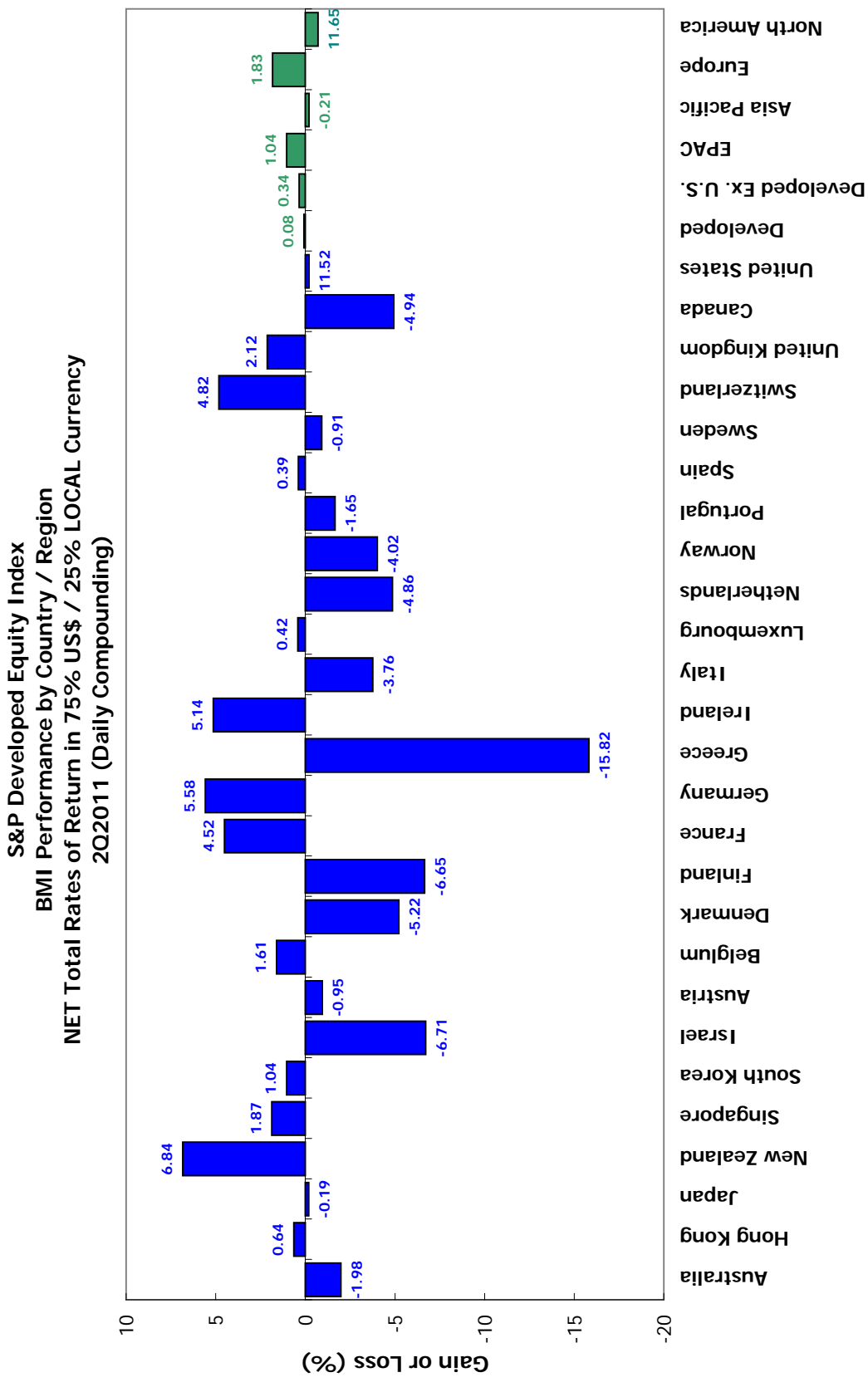
<u>COUNTRY</u>	<u>STOCK INDEX</u>	<u>AVERAGE SET LEVEL</u>	<u>NOTIONAL AMOUNT</u>	<u>% OF TOTAL</u>	<u>INDEX 6/30/2011</u>	<u>CURRENT NOTIONAL</u>	<u>% OF TOTAL</u>	<u>UNREALIZED GAIN/LOSS</u>	<u>% CHANGE</u>
Japan	TOPIX INDEX (TOKYO)	1,103.25	107,638,793	5.35%	849.22	97,510,427	3.88%	(10,128,366)	-9.41%
Japan	TOPIX TOTAL RETURN INDEX (TOKYO)	1,057.54	349,908,530	17.38%	1,078.22	399,325,818	15.89%	49,417,288	14.12%
Japan	TSE2 TOPIX 2 ND SECT INDEX		-		2,333.95	-	0.00%	-	
Hong Kong	HANG SENG STOCK INDEX	19,096.30	36,101,423	1.79%	22,398.10	42,274,248	1.68%	6,172,825	17.10%
Hong Kong	HANG SENG TOTAL RETURN STOCK INDEX	43,921.50	49,000,000	2.43%	47,794.04	53,273,840	2.12%	4,273,840	8.72%
Australia	ASX 200 INDEX	4,815.70	4,000,000	0.20%	4,424.60	3,850,986	0.15%	(149,014)	-3.73%
Australia	ASX 200 TOTAL RETURN INDEX	29,669.40	143,000,000	7.10%	32,841.59	192,791,143	7.67%	49,791,143	34.82%
New Zealand	NZSE 10 INDEX	156.45	5,000,000	0.25%	287.05	9,173,639	0.36%	4,173,639	83.47%
Singapore	STI INDEX	1,485.75	6,000,000	0.30%	3,120.44	12,601,474	0.50%	6,601,474	110.02%
Singapore	STI TOTAL RETURN INDEX	3,760.59	23,151,863	1.15%	4,231.10	25,151,387	1.00%	1,999,524	8.64%
Korea	KOREA KOSPI 200 INDEX	233.37	104,000,000	5.17%	275.17	135,649,667	5.40%	31,649,667	30.43%
Canada	TX60AR INDEX	1,117.90	10,000,744	0.50%	1,694.11	19,458,304	0.77%	9,457,560	0.47%
	TOTAL COMPOSITE		\$2,013,181,221	100.00%		\$2,513,585,925	100.00%	\$500,404,703	24.86%
	LIBOR NOTES		\$1,979,045,832			\$2,040,284,093		\$61,238,261	3.09%

CURRENT NET MARKET VALUE:

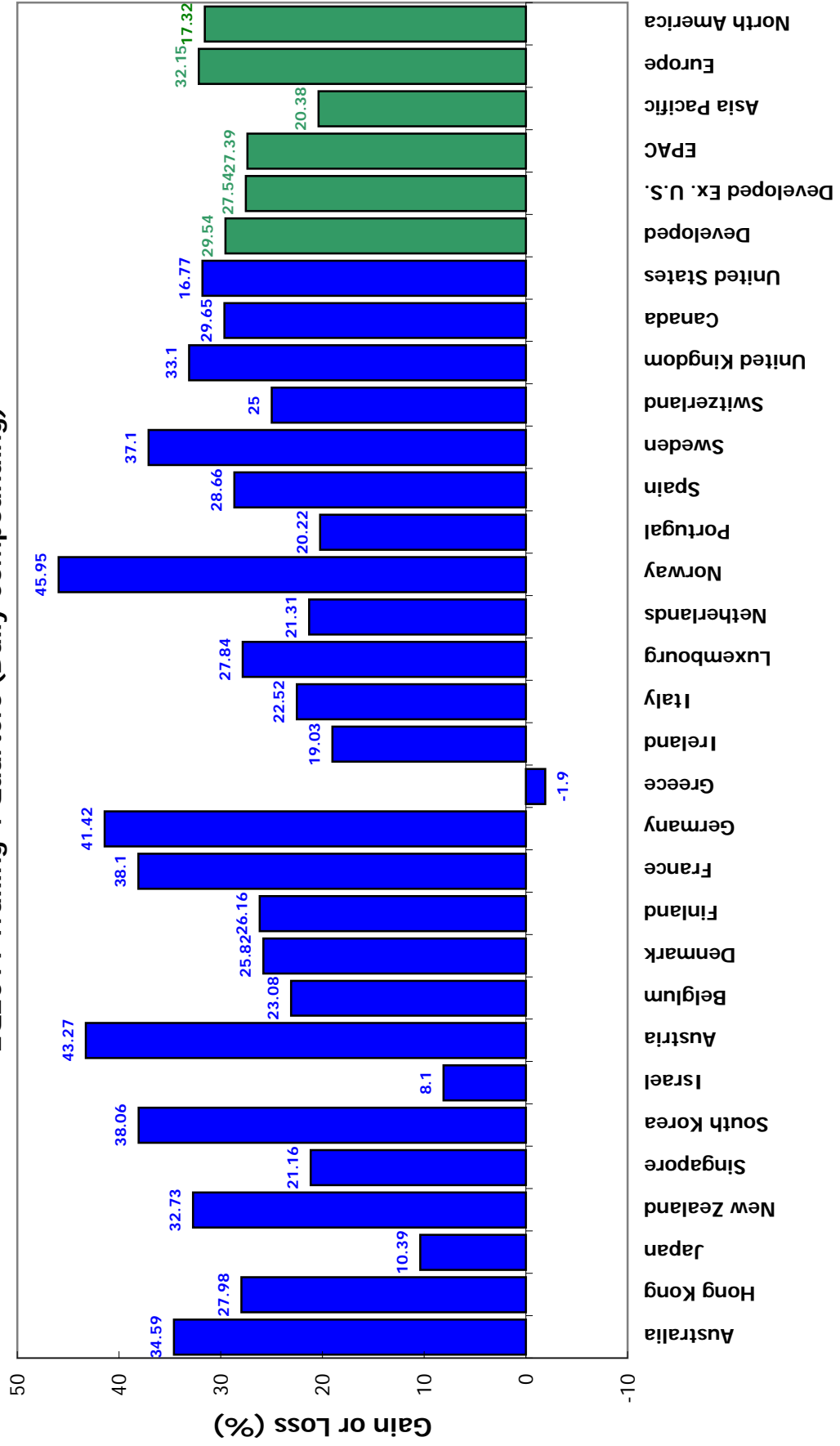
\$561,642,964

- Notes: 1. Notional amounts include currency change impacts, and changes related to dividend reinvestment in some agreements
2. Current net market value excludes cash balances related to interest on continuing swaps of \$91.3 Million as of 6/30/2011
3. Information on completed swaps: (174 completed)

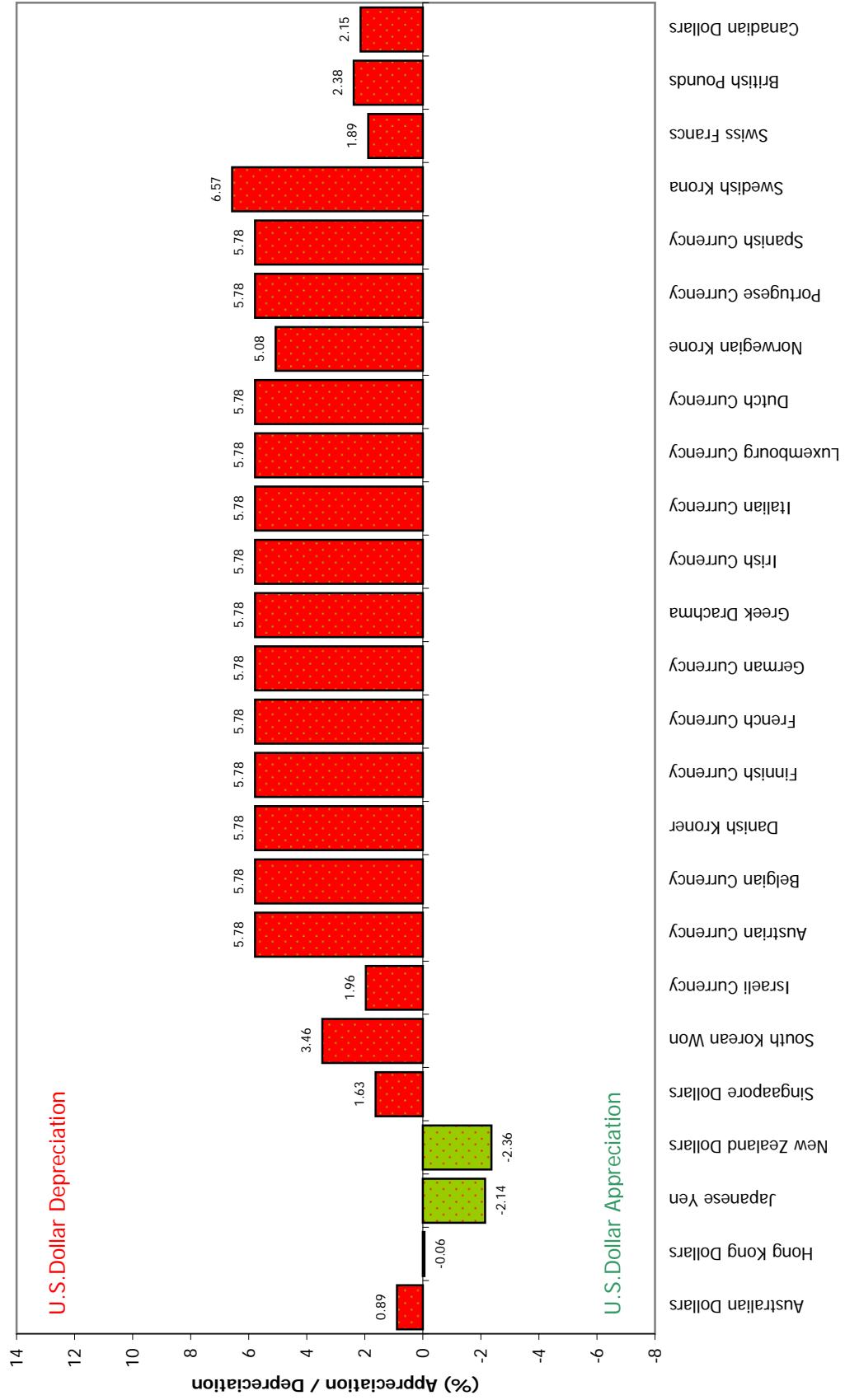
	<u>TOTAL</u>
Gains/Losses on Equity Swap Agreements	\$2,230,984,452.56
Net Interest received on Fixed Income	781,924,488.75
Gains/Losses on Dedicated Fixed Income	(17,584,607.17)
Total realized Gain/Losses and Net Interest	\$2,995,324,294.14



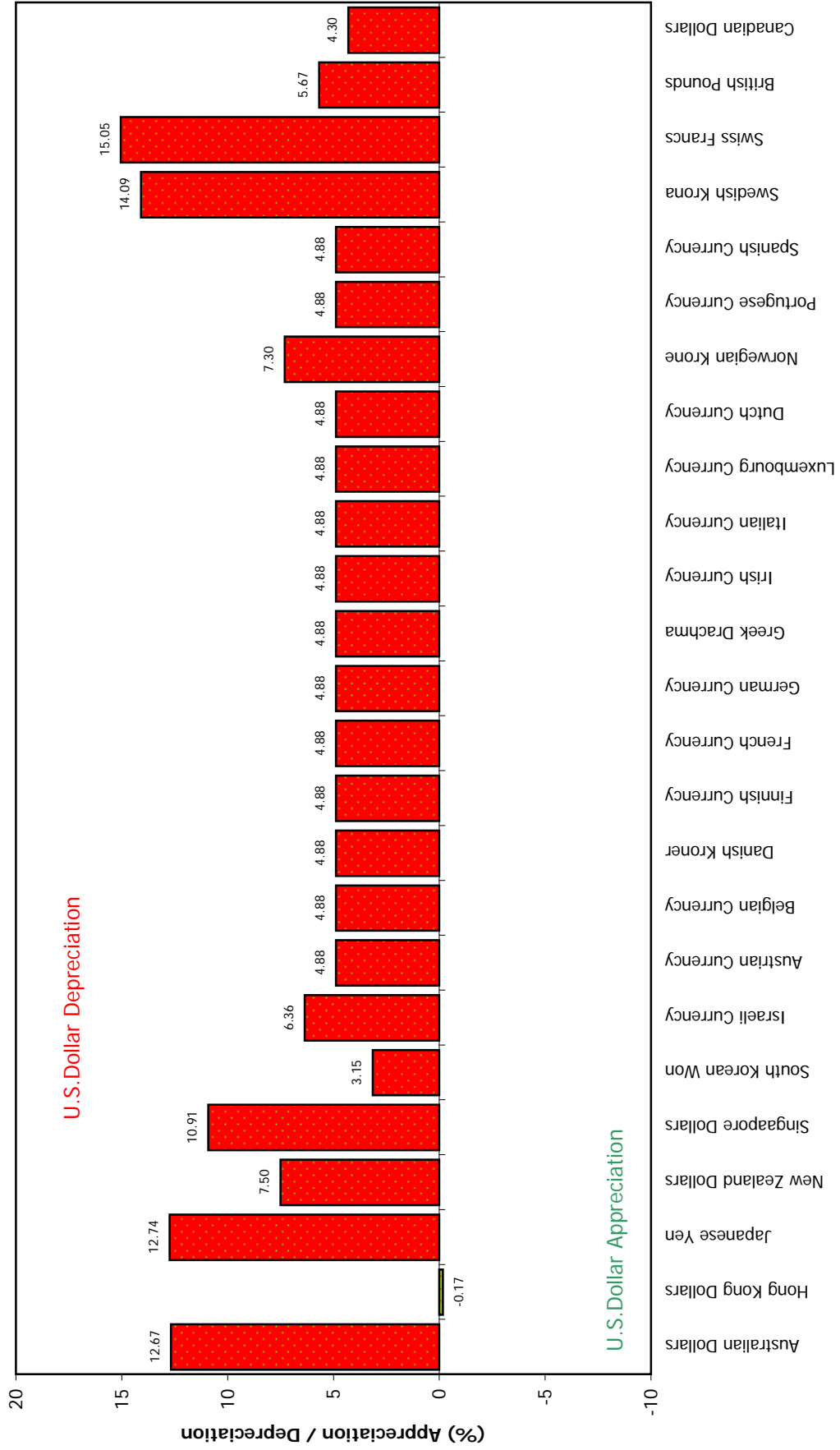
**S&P Developed Equity Index
 BMI Performance by Country / Region
 NET Total Rates of Return in 75% US\$ / 25% LOCAL Currency
 202011 Trailing 4 Quarters (Daily Compounding)**



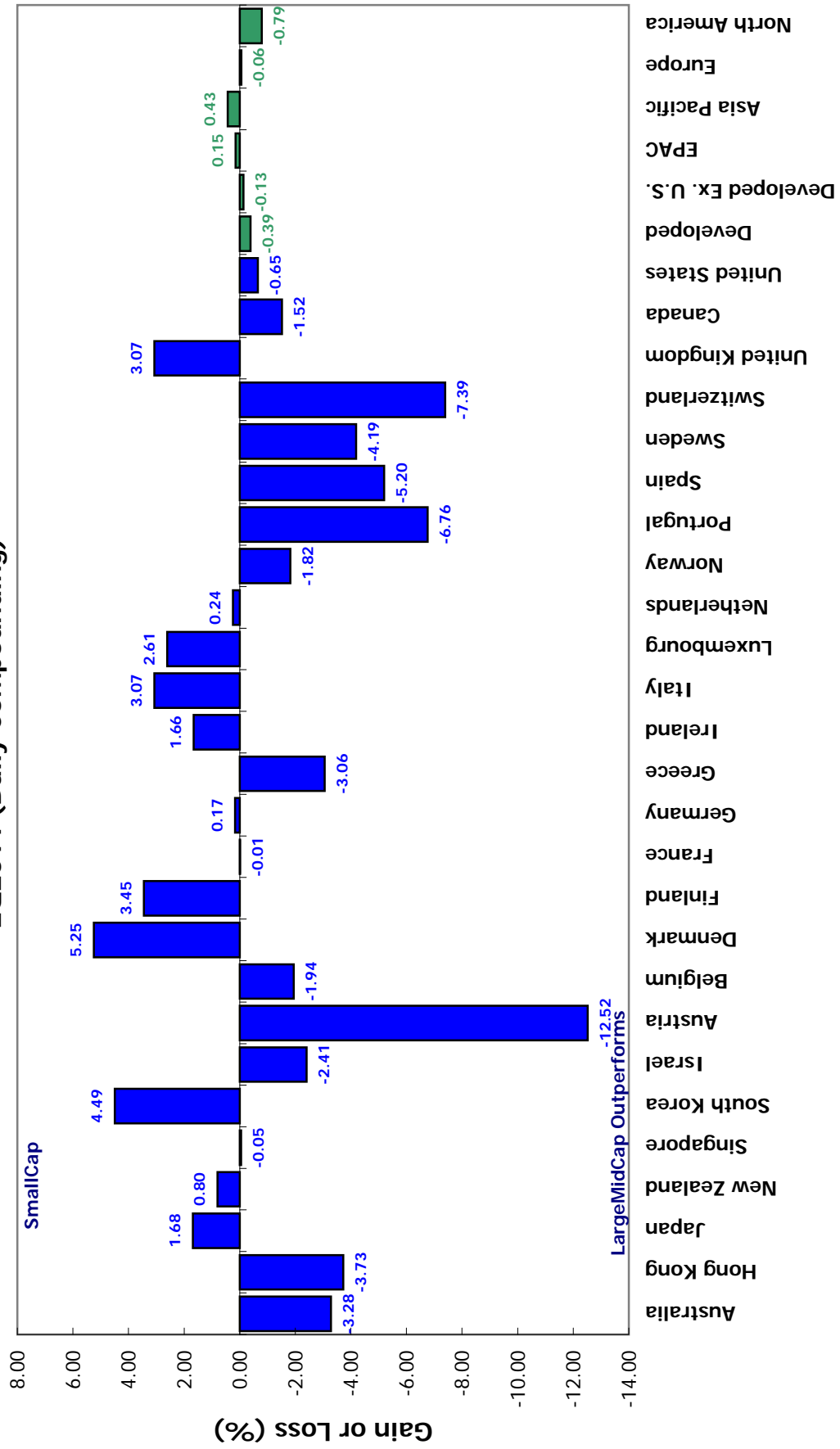
**S&P Developed Equity Index
 Currency Performance versus the U.S. Dollar (In Percentage Terms)
 31MAR2011 to 30JUN2011**



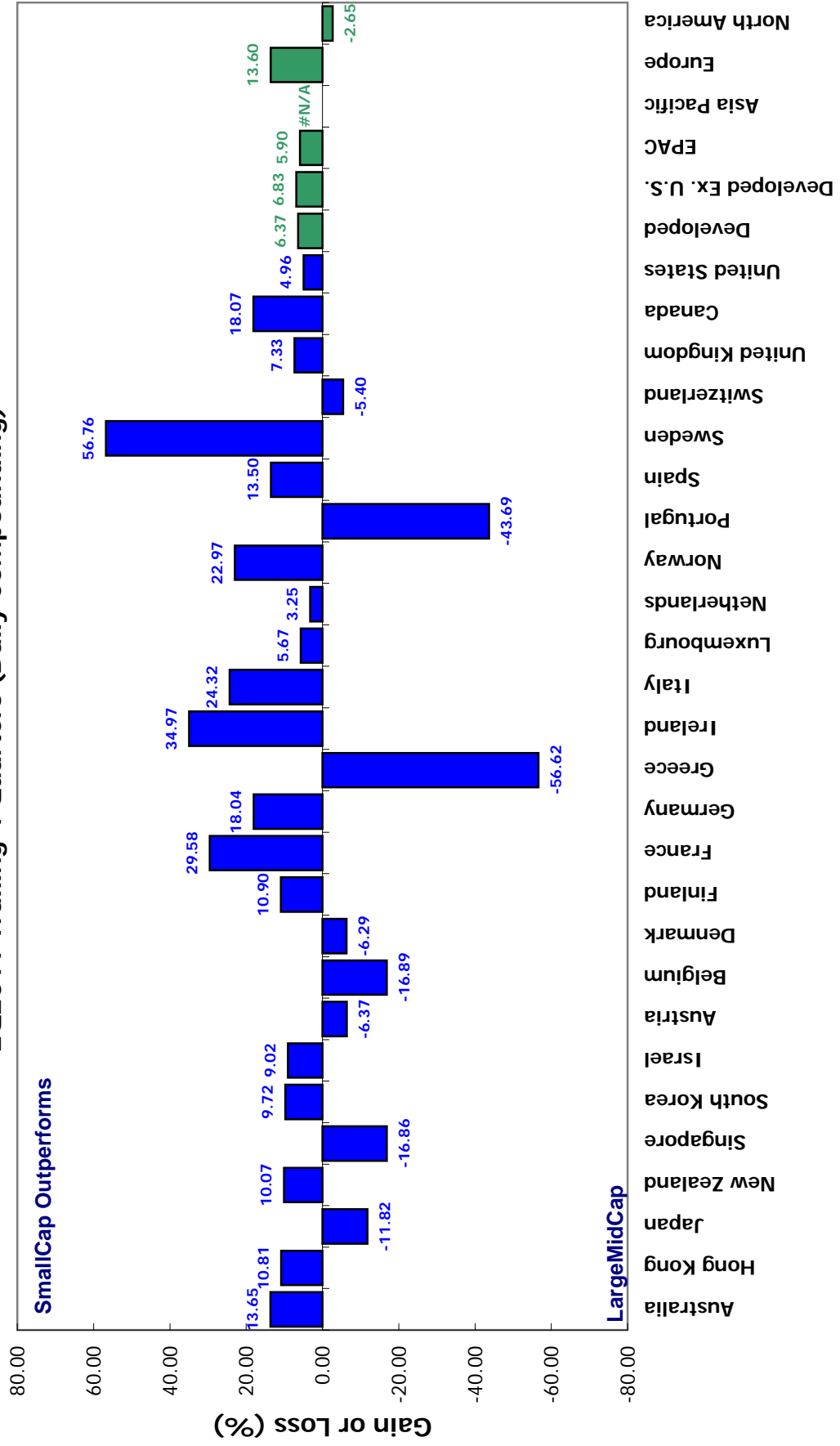
**S&P Developed Equity Index
 Currency Performance versus the U.S. Dollar (In Percentage Terms)
 30JUN2010 to 30JUN2011**



**S&P Developed Equity Index
SmallCap minus LargeMidCap
Total Rates of Return in U.S. Dollars
2Q2011 (Daily Compounding)**



**S&P Developed Equity Index
SmallCap minus LargeMidCap
Total Rates of Return in U.S. Dollars
2Q2011 Trailing 4 Quarters (Daily Compounding)**



INTERNATIONAL SWAP										DATE:	8/2/11
FIXED INCOME DETAILS										MONTH END:	6/30/11
Sorted by Issuer											
NOTE NAME	MAT. DATE	PAR	COST	MKT VALUE	G/L	% G/L	CR. RATING	Spread			
AMERICAN HONDA FINANCE	3/27/2012	50,000,000.00	47,350,950.00	49,982,400.00	2,631,450.00	5.557%	A1	0.170%			
		50,000,000.00	47,350,950.00	49,982,400.00	2,631,450.00	5.557%					
BANK OF AMERICA CORP	9/15/2014	30,000,000.00	29,096,460.00	28,914,630.00	(181,830.00)	-0.625%	A2 /*-	0.330%			
BANK OF AMERICA CORP	1/30/2014	20,000,000.00	20,061,580.00	20,046,080.00	(15,500.00)	-0.077%	A2 /*-	1.420%			
BANK OF AMERICA CORP	1/30/2014	5,000,000.00	5,000,000.00	5,011,520.00	11,520.00	0.230%	A2 /*-	1.420%			
BANK OF AMERICA CORP	1/30/2014	45,000,000.00	45,000,000.00	45,103,680.00	103,680.00	0.230%	A2 /*-	1.420%			
		100,000,000.00	99,158,040.00	99,075,910.00	(82,130.00)	-0.083%					
BANK OF NEW YORK MELLON	1/31/2014	36,000,000.00	36,051,768.00	36,111,888.00	60,120.00	0.167%	Aa2 /*-	0.280%			
BANK OF NEW YORK MELLON	1/31/2014	9,000,000.00	9,000,000.00	9,027,972.00	27,972.00	0.311%	Aa2 /*-	0.280%			
		45,000,000.00	45,051,768.00	45,139,860.00	88,092.00	0.196%					
BARCLAYS BANK PLC	1/13/2014	43,000,000.00	43,000,000.00	43,032,465.00	32,465.00	0.076%	Aa3	0.860%			
BARCLAYS BANK PLC	1/13/2014	6,000,000.00	6,000,000.00	6,004,530.00	4,530.00	0.076%	Aa3	0.860%			
BARCLAYS BANK PLC	1/13/2014	51,000,000.00	51,000,000.00	51,038,505.00	38,505.00	0.076%	Aa3	0.860%			
		100,000,000.00	100,000,000.00	100,075,500.00	75,500.00	0.076%					
BERKSHIRE HATHAWAY FIN	1/10/2014	50,000,000.00	50,000,000.00	50,051,100.00	51,100.00	0.102%	Aa2	0.330%			
BERKSHIRE HATHAWAY FIN	1/10/2014	5,000,000.00	5,000,000.00	5,005,110.00	5,110.00	0.102%	Aa2	0.330%			
		55,000,000.00	55,000,000.00	55,056,210.00	56,210.00	0.102%					
CANADIAN IMP BK COMM NY	4/12/2016	9,000,000.00	9,000,000.00	9,029,439.00	29,439.00	0.327%	Aa2	0.720%			
CANADIAN IMP BK COMM NY	4/12/2016	41,000,000.00	41,000,000.00	41,134,111.00	134,111.00	0.327%	Aa2	0.720%			
		50,000,000.00	50,000,000.00	50,163,550.00	163,550.00	0.327%					
CITIGROUP INC	2/15/2013	40,000,000.00	40,118,080.00	39,843,880.00	(274,200.00)	-0.683%	A3 /*-	0.850%			
		40,000,000.00	40,118,080.00	39,843,880.00	(274,200.00)	-0.683%					
GENERAL ELEC CAP CORP	2/15/2017	2,700,000.00	2,395,720.80	2,536,898.40	141,177.60	5.893%	Aa2	0.170%			
GENERAL ELEC CAP CORP	2/15/2017	76,900,000.00	71,928,338.10	72,254,624.80	326,286.70	0.454%	Aa2	0.170%			
GENERAL ELEC CAP CORP	2/15/2017	6,300,000.00	4,641,852.60	5,919,429.60	1,277,577.00	27.523%	Aa2	0.170%			
GENERAL ELEC CAP CORP	2/15/2017	30,200,000.00	26,919,253.20	28,375,678.40	1,456,425.20	5.410%	Aa2	0.170%			
GENERAL ELEC CAP CORP	2/15/2017	9,000,000.00	5,587,227.00	8,456,328.00	2,869,101.00	51.351%	Aa2	0.170%			
GENERAL ELEC CAP CORP	2/15/2017	24,000,000.00	22,448,376.00	22,550,208.00	101,832.00	0.454%	Aa2	0.170%			
		200,000,000.00	180,932,855.40	187,918,400.00	6,985,544.60	3.861%					

**INTERNATIONAL SWAP
FIXED INCOME DETAILS**
Sorted by Issuer

DATE: 8/2/11
MONTH END: 6/30/11

NOTE NAME	MAT. DATE	PAR	COST	MKT VALUE	G/L	% G/L	CR. RATING	Spread
JPMORGAN CHASE & CO	11/1/2012	5,000,000.00	4,341,530.00	4,996,235.00	654,705.00	15.080%	Aa3 /-	0.150%
JPMORGAN CHASE & CO	11/1/2012	85,000,000.00	70,661,435.00	84,935,995.00	14,274,560.00	20.201%	Aa3 /-	0.150%
JPMORGAN CHASE & CO	11/1/2012	43,000,000.00	42,919,848.00	42,967,621.00	47,773.00	0.111%	Aa3 /-	0.150%
JPMORGAN CHASE & CO	11/1/2012	22,817,500.00	22,800,729.14	22,800,318.42	(410.71)	-0.002%	Aa3 /-	0.150%
JPMORGAN CHASE & CO	11/1/2012	5,000,000.00	4,898,350.00	4,996,235.00	97,885.00	1.998%	Aa3 /-	0.150%
JPMORGAN CHASE & CO	11/1/2012	10,001,500.00	9,932,019.58	9,993,968.87	61,949.29	0.624%	Aa3 /-	0.150%
JPMORGAN CHASE & CO	11/1/2012	50,000,000.00	48,983,500.00	49,962,350.00	978,850.00	1.998%	Aa3 /-	0.150%
JPMORGAN CHASE & CO	11/1/2012	29,181,000.00	29,126,606.62	29,159,026.71	32,420.09	0.111%	Aa3 /-	0.150%
JPMORGAN CHASE & CO	9/21/2012	20,000,000.00	19,999,780.00	20,069,280.00	69,500.00	0.348%	Aa3 /-	0.625%
JPMORGAN CHASE & CO	9/21/2012	19,000,000.00	18,999,791.00	19,065,816.00	66,025.00	0.348%	Aa3 /-	0.500%
JPMORGAN CHASE & CO	9/21/2012	21,000,000.00	20,999,769.00	21,072,744.00	72,975.00	0.348%	Aa3 /-	0.500%
JPMORGAN CHASE & CO	9/21/2012	29,000,000.00	29,083,172.00	29,100,456.00	17,284.00	0.059%	Aa3 /-	0.500%
JPMORGAN CHASE & CO	9/21/2012	28,000,000.00	27,999,692.00	28,096,992.00	97,300.00	0.348%	Aa3 /-	0.500%
JPMORGAN CHASE & CO	9/21/2012	33,000,000.00	33,080,256.00	33,114,312.00	34,056.00	0.103%	Aa3 /-	0.500%
		400,000,000.00	383,826,478.33	400,331,350.00	16,504,871.67	4.300%		
RABOBANK NEDERLAND NV NY	1/17/2014	14,000,000.00	14,000,000.00	14,000,280.00	280.00	0.002%	NR	0.350%
RABOBANK NEDERLAND NV NY	1/17/2014	12,500,000.00	12,500,000.00	12,500,250.00	250.00	0.002%	NR	0.350%
RABOBANK NEDERLAND NV NY	1/17/2014	50,000,000.00	50,000,000.00	50,001,000.00	1,000.00	0.002%	NR	0.350%
RABOBANK NEDERLAND NV NY	1/17/2014	23,500,000.00	23,500,000.00	23,500,470.00	470.00	0.002%	NR	0.350%
		100,000,000.00	100,000,000.00	100,002,000.00	2,000.00	0.002%		
ROYAL BANK OF CANADA	3/9/2016	10,000,000.00	10,000,000.00	9,994,170.00	(5,830.00)	-0.058%	Aa1	0.500%
ROYAL BANK OF CANADA	3/9/2016	40,000,000.00	40,000,000.00	39,976,680.00	(23,320.00)	-0.058%	Aa1	0.500%
		50,000,000.00	50,000,000.00	49,970,850.00	(29,150.00)	-0.058%		
ROYAL BK OF SCOTLAND PLC	3/11/2014	100,000,000.00	100,000,000.00	99,632,000.00	(368,000.00)	-0.368%	Aa3e	1.530%
		100,000,000.00	100,000,000.00	99,632,000.00	(368,000.00)	-0.368%		
TEXTRON FINANCIAL CORP	2/26/2013	46,000,000.00	21,417,094.00	43,164,238.00	21,747,144.00	101.541%	Baa3	0.900%
TEXTRON FINANCIAL CORP	2/26/2013	19,500,000.00	18,039,606.00	18,297,883.50	258,277.50	1.432%	Baa3	0.900%
TEXTRON FINANCIAL CORP	2/26/2013	20,500,000.00	18,731,588.00	19,236,236.50	504,648.50	2.694%	Baa3	0.900%
TEXTRON FINANCIAL CORP	2/26/2013	14,000,000.00	12,951,512.00	13,136,942.00	185,430.00	1.432%	Baa3	0.900%
		100,000,000.00	71,139,800.00	93,835,300.00	22,695,500.00	31.903%		
TOTAL CAPITAL CANADA LTD	1/17/2014	52,000,000.00	52,000,000.00	52,342,680.00	342,680.00	0.659%	Aa1	0.380%

INTERNATIONAL SWAP										DATE:	8/2/11
FIXED INCOME DETAILS										MONTH END:	6/30/11
Sorted by Issuer											
NOTE NAME	MAT. DATE	PAR	COST	MKT VALUE	G/L	% G/L	CR. RATING	Spread			
TOYOTA MOTOR CREDIT CORP	1/9/2012	55,000,000.00	55,000,000.00	55,940,555.00	940,555.00	1.710%	Aa3 /-	3.500%			
		150,000,000.00	150,000,000.00	152,565,150.00	2,565,150.00	1.710%					
WACHOVIA CORP	4/23/2012	4,000,000.00	3,431,672.00	4,003,312.00	571,640.00	16.658%	A1 /-	0.130%			
WACHOVIA CORP	4/23/2012	11,000,000.00	9,430,432.00	11,009,108.00	1,578,676.00	16.740%	A1 /-	0.130%			
WACHOVIA CORP	4/23/2012	20,000,000.00	19,911,060.00	20,016,560.00	105,500.00	0.530%	A1 /-	0.130%			
WACHOVIA CORP	4/23/2012	20,000,000.00	19,942,320.00	20,016,560.00	74,240.00	0.372%	A1 /-	0.130%			
WACHOVIA CORP	4/23/2012	80,000,000.00	79,644,240.00	80,066,240.00	422,000.00	0.530%	A1 /-	0.130%			
WACHOVIA CORP	4/23/2012	34,000,000.00	28,704,262.00	34,028,152.00	5,323,890.00	18.547%	A1 /-	0.130%			
WACHOVIA CORP	4/23/2012	6,000,000.00	5,937,582.00	6,004,968.00	67,386.00	1.135%	A1 /-	0.130%			
		175,000,000.00	167,001,568.00	175,144,900.00	8,143,332.00	4.876%					
WELLS FARGO & COMPANY	1/24/2012	90,000,000.00	89,381,250.00	90,056,880.00	675,630.00	0.756%	A1 /-	0.090%			
WELLS FARGO & COMPANY	1/24/2012	10,000,000.00	9,931,250.00	10,006,320.00	75,070.00	0.756%	A1 /-	0.090%			
WELLS FARGO & COMPANY	8/29/2011	12,000,000.00	12,000,000.00	12,013,740.00	13,740.00	0.115%	A1 /-	0.650%			
WELLS FARGO & COMPANY	8/29/2011	34,819,000.00	34,819,000.00	34,858,867.76	39,867.76	0.115%	A1 /-	0.650%			
WELLS FARGO & COMPANY	8/29/2011	53,181,000.00	53,246,412.63	53,241,892.25	(4,520.38)	-0.008%	A1 /-	0.904%			
		200,000,000.00	199,377,912.63	200,177,700.00	799,787.37	0.401%					
TOTAL		2,056,185,000.00	1,979,045,832.05	2,040,284,093.33	61,238,261.27	3.094%		0.039%			

**STATE OF MICHIGAN
RETIREMENT SYSTEMS**

**INDEXED DOMESTIC EQUITY
REVIEW**

INVESTMENT ADVISORY COMMITTEE MEETING

SEPTEMBER 1, 2011

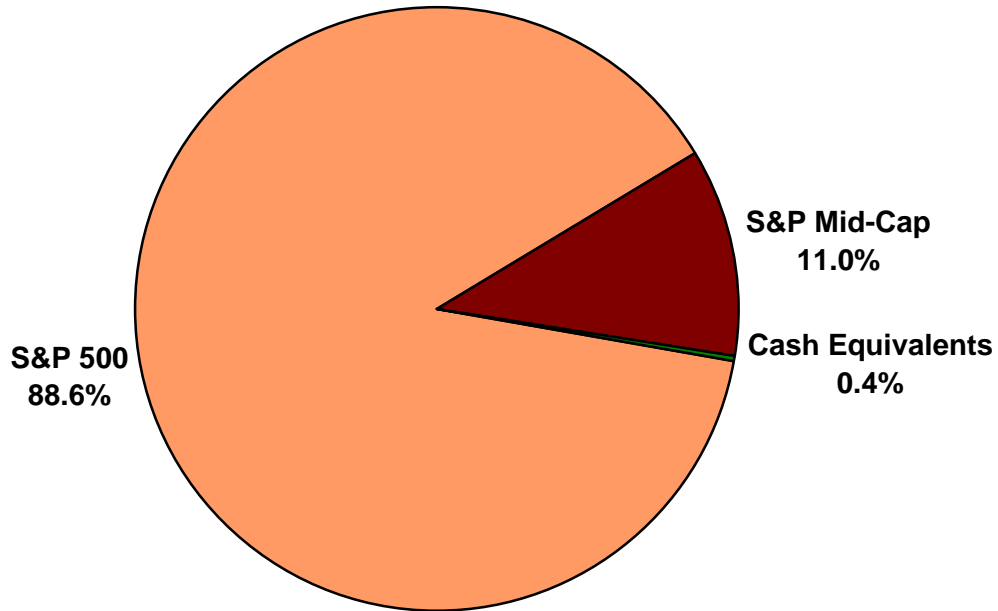


**Richard J. Holcomb, CFA, Administrator
Quantitative Analysis Division**



SMRS

Domestic Passive Equity Investments 6/30/11



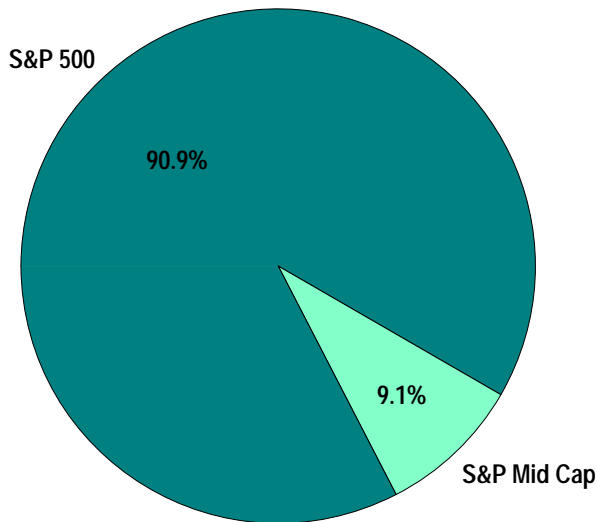
Market Value in Millions			Benchmark
S&P 500	\$5,412	88.6%	90.9%
S&P Mid-Cap	671	11.0%	9.1%
S&P Small-Cap	0	0.0%	0.0%
Total Investments	\$6,083	99.6%	100.0%
Cash Equivalents	25	0.4%	0.0%
Total	\$6,108	100.0%	100.0%



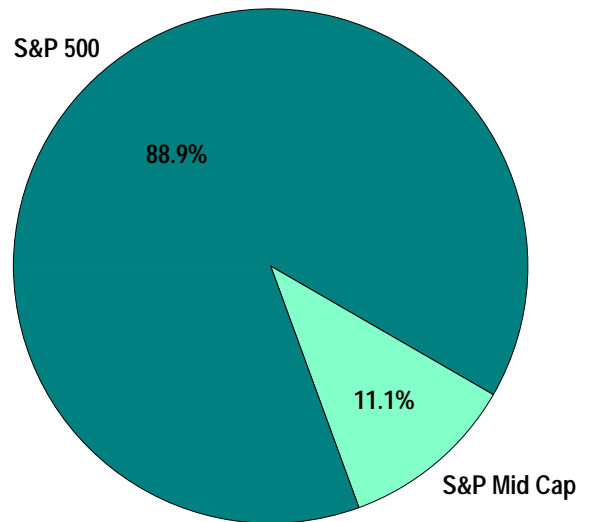
SMRS

Passive U.S. Equity Exposure 06/30/11

Standard & Poor's 900



SMRS Actual



	<u>S&P Benchmarks</u>		<u>SMRS Position Values</u>		
	<u>06/30/11 Market Cap.</u>	<u>06/30/11 Weights</u>	<u>06/30/11 Market Value</u>	<u>06/30/11 Weights</u>	<u>03/31/11 Market Value</u>
S&P 500	\$12,017 B	90.9%	\$5,433 M	88.9%	\$5,424 M
S&P Mid-Cap	\$1,199 B	9.1%	\$676 M	11.1%	\$679 M

Indexed Domestic Equity Quarter Ending 06/30/11

U.S. Index Portfolios

6/30/2011	6/30/2011	6/30/2011	6/30/2011	6/30/2011	Period	Transaction	S&P
Portfolio Value	Index Level	Synthetic % Ending	Cash % Ending	Cash Flow % Beginning	Activity % Beginning	SMRS % Weight	% Weight
\$ 5,432,587,042	1,320.64	0.00%	0.25%	-0.04%	2.22%	88.94%	90.93%
\$ 675,588,615	978.64	0.00%	0.65%	-0.12%	7.80%	11.06%	9.07%
\$ 6,108,175,656	306.38	0.00%	0.30%	-0.05%	2.84%	100.00%	100.00%

S&P 500

S&P Mid-Cap

Total Passive

3

Portfolio Returns

Quarter	6 Mo.	9 Mo.	1-Year	2-Year	3-Year	5-Year	10-Year
0.20%	6.18%	17.66%	30.97%	22.72%	3.69%	3.20%	2.94%
-0.45%	9.08%	24.00%	40.49%	32.78%	9.18%	7.45%	8.45%
0.13%	6.52%	18.40%	32.04%	23.73%	4.25%	3.61%	3.54%

S&P 500

S&P Mid-Cap

Total Passive

Tracking Error

Quarter	6 Mo.	9 Mo.	1-Year	2-Year	3-Year	5-Year	10-Year
0.10%	0.16%	0.23%	0.28%	0.43%	0.35%	0.26%	0.22%
0.28%	0.52%	0.78%	1.11%	0.82%	1.36%	0.85%	0.51%
0.11%	0.27%	0.46%	0.60%	0.64%	0.54%	0.40%	0.27%

S&P 500

S&P Mid-Cap

Total Passive Benchmark

**STATE OF MICHIGAN
RETIREMENT SYSTEMS**

BASKET CLAUSE REVIEW

INVESTMENT ADVISORY COMMITTEE MEETING

SEPTEMBER 1, 2011



**Karen M. Stout, CPA, CGFM, Administrator
Trust Accounting Division**

BASKET CLAUSE INVESTMENTS

The basket clause investments at June 30, 2011, were \$6,508 million fair market value (“FMV”) or 12.607% of the total portfolio market value of \$51.621 billion.

		<u>June 30, 2011</u>	
Total Absolute and Real Return	(FMV)	\$2,127,666,437	4.080%
Total International Equity	(FMV)	<u>\$4,380,339,662</u>	8.400%
Total investments to date	(FMV)	\$6,508,006,099	12.607%

STATE OF MICHIGAN RETIREMENT SYSTEMS
Section20D Investment Holding - 6/30/2011

COMPANY NAME	FAIR MARKET VALUE
ABSOLUTE AND REAL RETURN	
Abernathy Fund	71,751,001
Fairfield Settlement Partners	89,537,194
FrontPoint Michigan Strategic Partnership Fund	367,440,268
Frontpoint Michigan Strategic Partnership Fund II	174,892,129
Galaxie Avenue, LLC	104,267,664
HPS Senior Loan Fund II	86,640,736
Lakewater LLC	62,002,961
PSAM - Spartan Fund	28,611,061
Sand Hill, LLC	768,480,641
Stone Tower Capital Credit Fund	270,639,863
Stone Tower Capital Credit Strategies	103,402,919
TOTAL ABSOLUTE AND REAL RETURN	<u>\$2,127,666,437</u>
INTERNATIONAL EQUITY	
LACM Emerging Markets Fund	63,540,031
PIMCO EM Fundamental Index Strategy	294,535,895
PIMCO International Stock Plus Strategy	221,298,568
SSgA EMI	430,153,199
SSgA International Alpha Select BMI	473,639,008
SSgA International Small Cap Alpha	93,637,514
SSgA PMI	525,340,015
Vanguard Developed Mkt Index Fund Institutional	842,594,365
Vanguard Emerging Mkt Stock Index Fund	984,867,149
Wellington International Research Equity	450,733,920
TOTAL INTERNATIONAL EQUITY	<u>\$4,380,339,662</u>
GRAND TOTAL	<u>\$6,508,006,099</u>
TOTAL 20D INVESTMENTS	
as % of TOTAL PORTFOLIO (MKT)	12.607%
\$51,621 million	

Disclaimer



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

