# Michigan Department of Treasury
# Bureau of Investments

**Gregory J. Parker**
**Director of Investments – Public Markets**

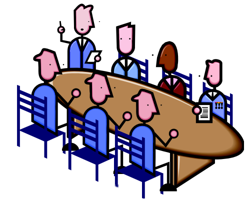
**March 13, 2025**

# Executive Summary

- Long term market returns have been robust but in the next ten years many industry experts anticipate lower returns.
- Therefore, most plans are lowering (or have lowered already) their actuarial assumed rate of return.
- MPSERS returns substantially beat peer returns over longer time periods.

# Bureau of Investments

## As of December 31, 2024



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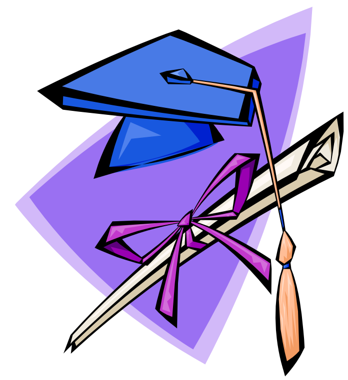
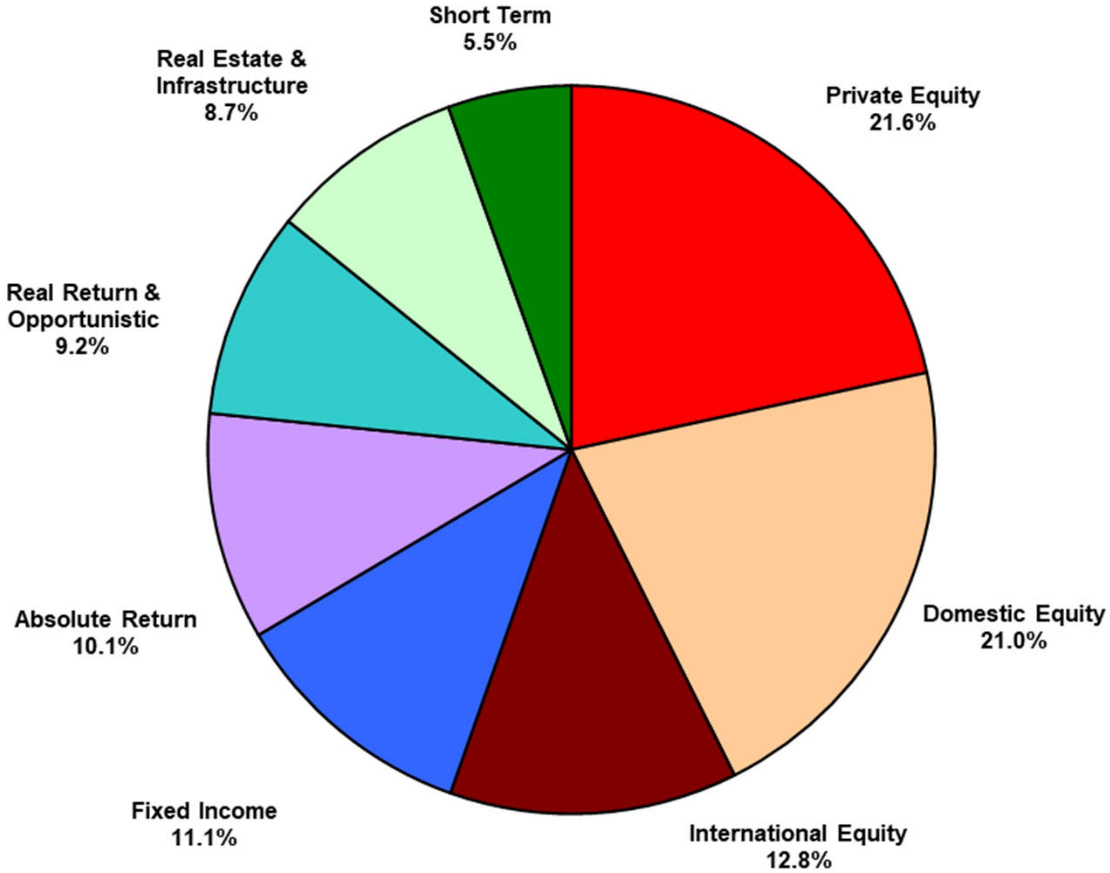


- 74 BOI Employees.
- 51 Investment Professionals.
- 31 Individuals with a Masters Degree or higher.
- 19 C.F.A. Charter holders.
- 12 Other professional designations.
- $164.9 billion total assets under management.
- The large investment pool is an advantage for the plans.

# MPSERS Asset Allocation

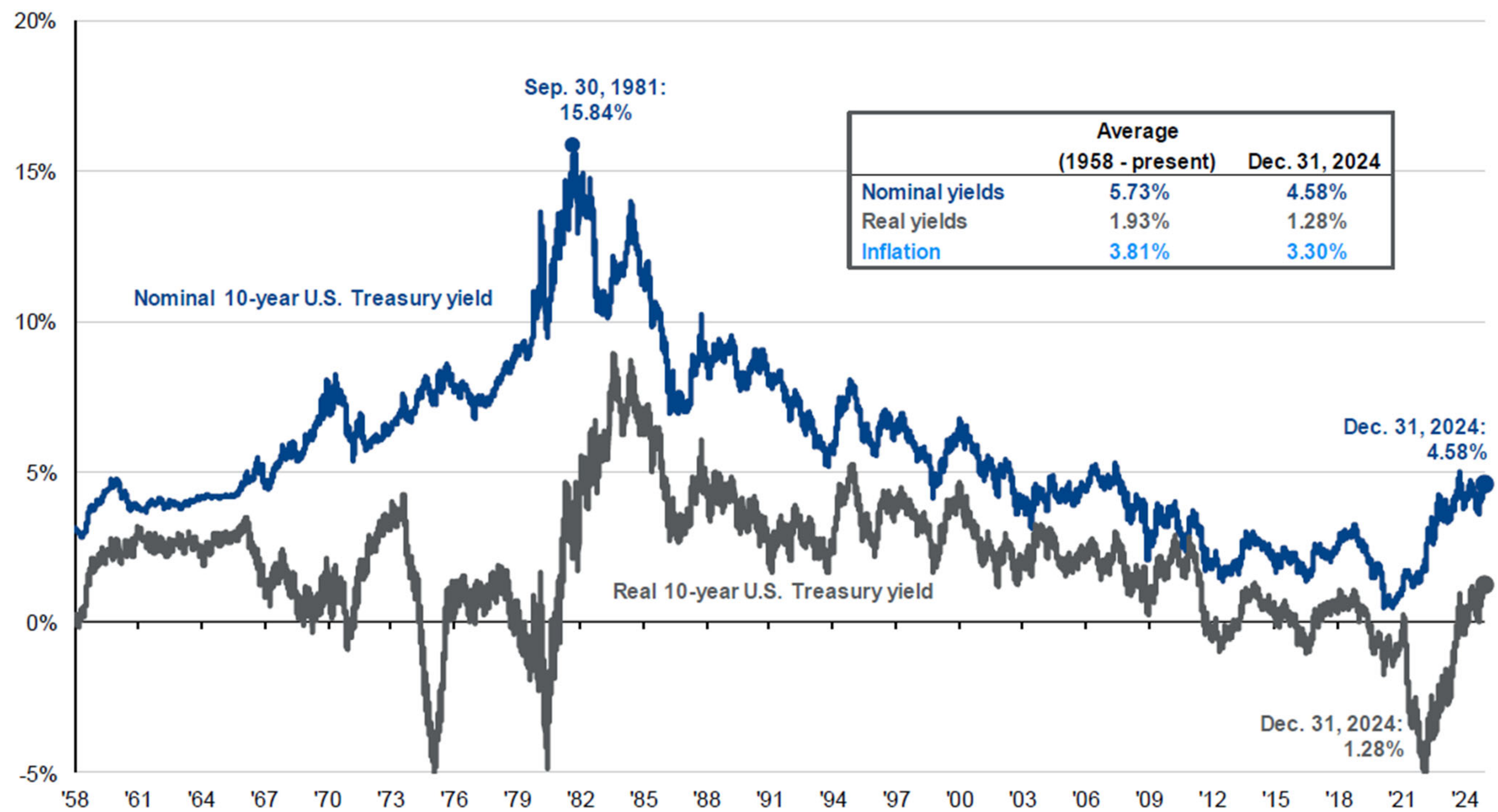
## As of December 31, 2024




Diversification is essential to protect the funds. However, still reliant on equity markets to generate the actuarial assumed rate of return.

# Interest Rates and Inflation

**Nominal and real U.S. 10-year Treasury yields**




| | Average (1958 - present) | Dec. 31, 2024 |
|---|---|---|
| Nominal yields | 5.73% | 4.58% |
| Real yields | 1.93% | 1.28% |
| Inflation | 3.81% | 3.30% |

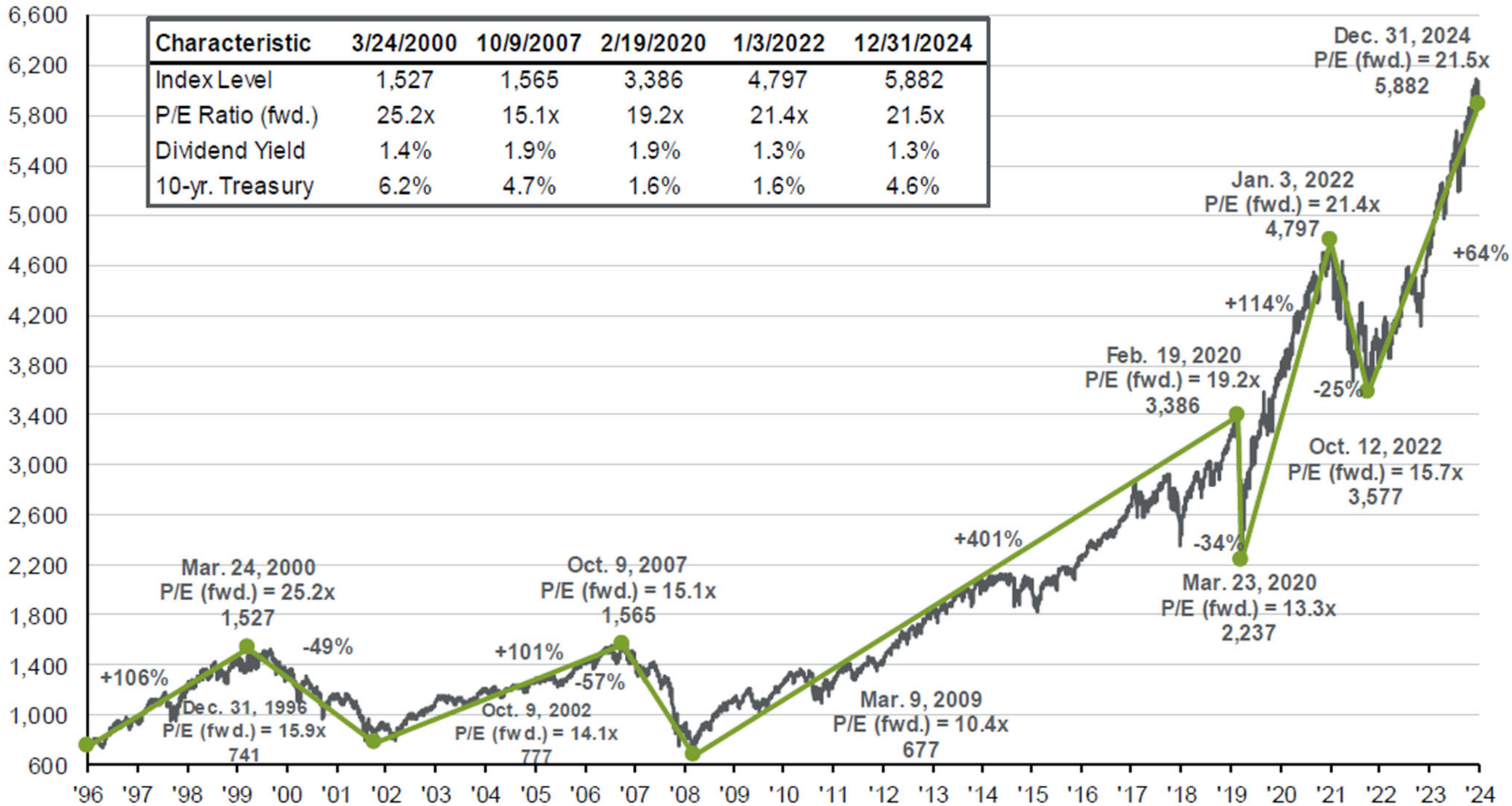
Source: BLS, FactSet, Federal Reserve, J.P. Morgan Asset Management.
Real 10-year Treasury yields are calculated as the daily Treasury yield less year-over-year core CPI inflation for that month. For the current month, we use the prior month's core CPI figures until the latest data are available.
*Guide to the Markets – U.S.* Data are as of December 31, 2024.

J.P.Morgan
ASSET MANAGEMENT

# S&P 500 Index at Inflection Points

**S&P 500 Price Index**

| Characteristic | 3/24/2000 | 10/9/2007 | 2/19/2020 | 1/3/2022 | 12/31/2024 |
|---|---|---|---|---|---|
| Index Level | 1,527 | 1,565 | 3,386 | 4,797 | 5,882 |
| P/E Ratio (fwd.) | 25.2x | 15.1x | 19.2x | 21.4x | 21.5x |
| Dividend Yield | 1.4% | 1.9% | 1.9% | 1.3% | 1.3% |
| 10-yr. Treasury | 6.2% | 4.7% | 1.6% | 1.6% | 4.6% |




Source: Compustat, FactSet, Federal Reserve, Refinitiv Datastream, Standard & Poor's, J.P. Morgan Asset Management.
Dividend yield is calculated as consensus estimates of dividends for the next 12 months, divided by most recent price, as provided by Compustat. Forward price-to-earnings ratio is a bottom-up calculation based on IBES estimates and FactSet estimates since January 2022. Returns are cumulative and based on S&P 500 Index price movement only, and do not include the reinvestment of dividends. Past performance is not indicative of future returns.
*Guide to the Markets – U.S.* Data are as of December 31, 2024.

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ASSET MANAGEMENT

# MPSERS FUND
# Time-Weighted Rate of Return

### As of December 31, 2024

| Asset Class w/Benchmark | One Year* Rate | Three Years* Rate | Five Years* Rate | Seven Years* Rate | Ten Years* Rate |
|---|---|---|---|---|---|
| **Total Plan** | **11.0%** | **4.5%** | **9.2%** | **9.1%** | **9.0%** |
| Median - Greater than $10 Billion** | 10.0% | 3.9% | 7.7% | 7.6% | 7.8% |

* Annualized Returns
** Comparison universe is the State Street Universe comprised of Public Funds greater than $10 Billion on the total plan level

- Historically the investment results have compared very favorably to other large public pension plans (Larger than $10 billion). Over the past ten years, our investment returns added approximately $15 billion in value compared to what a peer median-performing pension fund would have earned.

# MPSERS FUND

# Time-Weighted Rates of Return

## As of December 31, 2024

| Asset Class w/Benchmark | One Year* Rate | One Year* Rank | Three Years* Rate | Three Years* Rank | Five Years* Rate | Five Years* Rank | Seven Years* Rate | Seven Years* Rank | Ten Years* Rate | Ten Years* Rank |
|---|---|---|---|---|---|---|---|---|---|---|
| **Total Plan** | **11.0%** | **21** | **4.5%** | **32** | **9.2%** | **12** | **9.1%** | **11** | **9.0%** | **11** |
| Median - Greater than $10 Billion** | 10.0% | | 3.9% | | 7.7% | | 7.6% | | 7.8% | |
| **Domestic Equities** | **29.0%** | | **8.9%** | | **13.6%** | | **13.4%** | | **12.6%** | |
| S&P Composite 1500 | 24.0% | | 8.5% | | 14.1% | | 13.4% | | 12.8% | |
| **International Equities** | **6.7%** | | **0.4%** | | **4.6%** | | **4.1%** | | **5.7%** | |
| International Equities Median** | 5.6% | | 1.2% | | 5.1% | | 4.4% | | 5.6% | |
| **Fixed Income** | **3.4%** | | **-0.3%** | | **1.3%** | | **2.4%** | | **2.9%** | |
| Bloomberg US Agg Index | 1.3% | | -2.4% | | -0.3% | | 1.0% | | 1.4% | |
| **Private Equity** | **8.0%** | | **2.5%** | | **13.9%** | | **13.7%** | | **13.3%** | |
| Private Equity and Venture Capital BM*** | 40.3% | | 15.2% | | 19.4% | | 17.9% | | 16.8% | |
| **Real Estate & Infrastructure** | **1.8%** | | **7.2%** | | **6.8%** | | **7.6%** | | **8.2%** | |
| NCREIF Open Fund Index Net | -2.3% | | -3.1% | | 2.0% | | 3.1% | | 4.9% | |
| **Absolute Return** | **13.1%** | | **8.5%** | | **9.0%** | | **7.7%** | | **6.4%** | |
| HFRI FOF Cons 1 month lagged | 7.4% | | 4.0% | | 5.3% | | 4.5% | | 3.7% | |
| **Real Return / Opportunistic** | **5.6%** | | **6.4%** | | **10.1%** | | **11.1%** | | **10.2%** | |
| 50% CPI +4% and 50% actuarial rate 6%**** | 6.5% | | 7.2% | | 7.4% | | 7.3% | | 7.3% | |
| **Cash Equivalents** | **5.5%** | | **4.1%** | | **2.7%** | | **2.6%** | | **2.1%** | |
| 30-Day T-Bill | 5.4% | | 4.0% | | 2.5% | | 2.3% | | 1.7% | |

* Annualized Returns.

** 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.

*** Inception to present: S&P500 + 300 BP with a 3 month lag

**** As of 09/30/21, the Total Real Return and Opportunistic Custom Benchmark is composed of: 50% (CPI +4%) and 50% (actuarial rate 6%). As of 5/1/21, reflects 50% (CPI +4%) and 50% (actuarial rate 6.8%).

# U.S. Economy

- U.S. economic policy uncertainty is elevated; tariffs and potential government efficiencies are front and center.
- 2025 GDP growth estimate is around 2.3%, and inflation is expected to be more moderate.
- U.S. Federal Reserve appears ready to manage inflation.

# Conclusion

- Many risk asset valuations are higher than average.
- Economic policy risks are elevated.
- We will continue to maintain a long-term focus with sufficient liquidity to manage through short-term market changes.
- Diversification will help mitigate risks.