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Executive Summary

Chief Investment Officer
Jon M. Braeutigam



Performance

- Higher than peer median
- Compounding at higher than peer returns adds significant value:
 - Approximately \$13.9 billion in excess value compared to median returns over the past ten years
 - Added an estimated \$1.6 billion to the FY-2026 budget
 - For every year sooner the Funds become fully funded, a projected \$3.8 billion is added to the budget annually

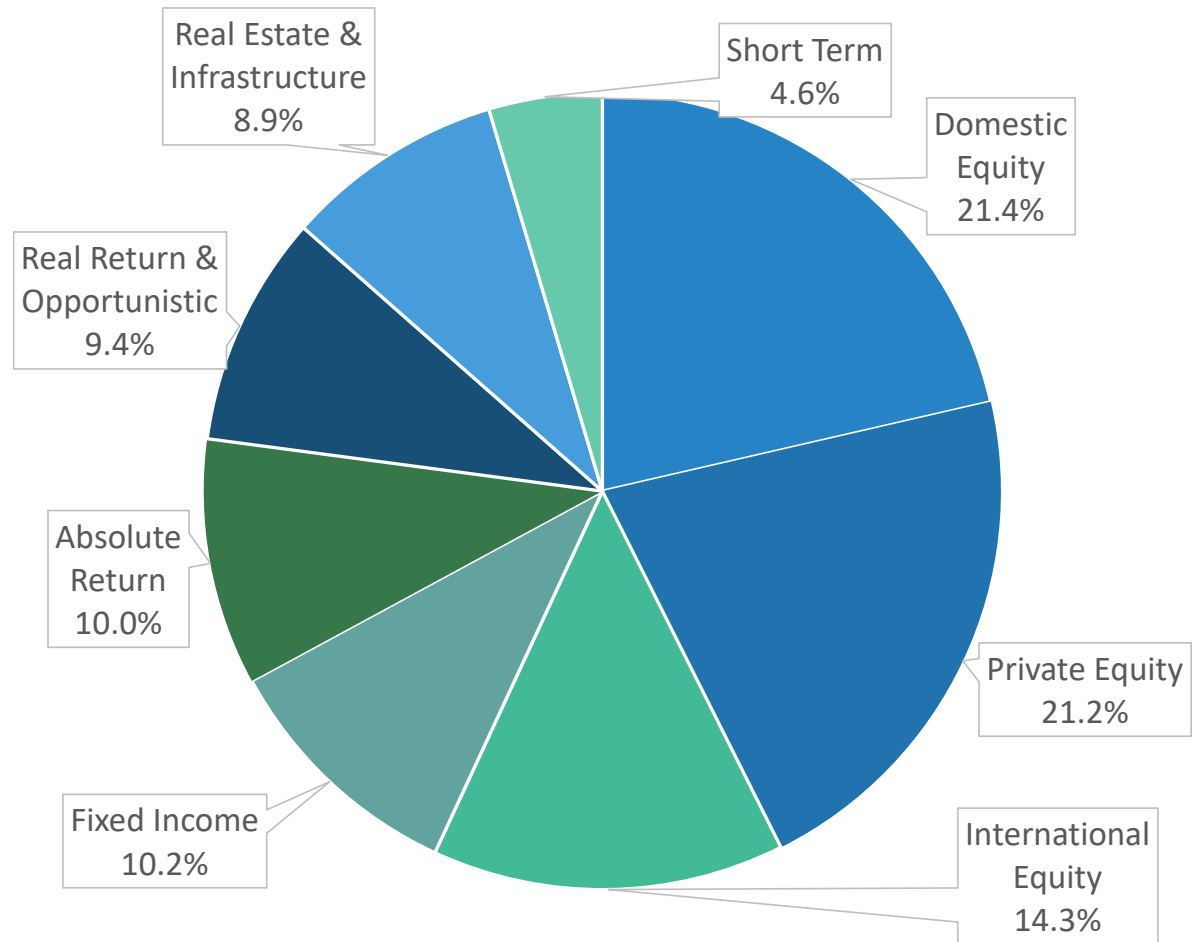
SMRS (9/30/24)	1-Year	3-Years	5-Years	7-Years	10-Years
Annualized Returns	16.0%	6.4%	10.1%	9.7%	9.1%
Policy Benchmark	19.7%	7.7%	10.3%	9.7%	9.4%
Peer Median Returns*	16.6%	6.0%	9.1%	8.3%	8.0%

*State Street Peer Universe greater than \$10 billion

Portfolio

9/30/24

- \$110.5 billion AUM
- \$16.8 billion Unfunded Commitment
- \$975 million new commitments during the September 2024 quarter
- \$1.3 billion net of contributions over the past year were paid out by the combined systems



Asset Allocation

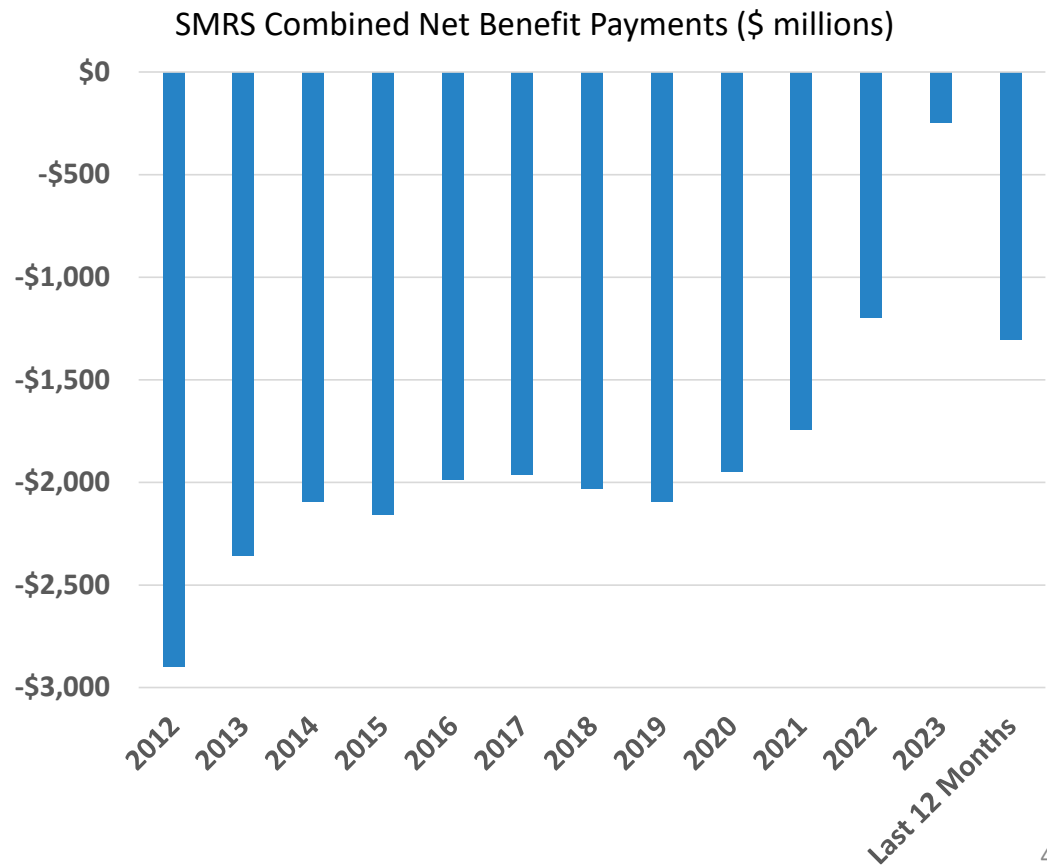
- Most asset classes are near their Strategic Target weights, and all are within approved ranges
- Private Equity is 5.2% over the target
 - A lower commitment pacing will guide the allocation towards target over time.
 - Private, Domestic & International weight combined (56.9%) near the combined target weight (56.0%)
- Slight tactical overweight in Short Term Fixed adds flexibility while those assets currently earn ~ 5.2%

	9/30/24	Target	Ranges
Domestic Equity	21.4%	25.0%	17% - 32%
Private Equity	21.2%	16.0%	13% - 27%
International Equity	14.3%	15.0%	12% - 22%
Long Term Fixed	10.2%	13.0%	8% - 18%
Absolute Return	10.0%	9.0%	5% - 11%
Real Return & Opp.	9.4%	10.0%	8% - 18%
Real Estate & Infra	8.9%	10.0%	8% - 18%
Short Term Fixed	4.6%	2.0%	1% - 8%
Total	100%	100%	

Plan Liquidity

Net Benefit Payments

- 2012 State of Michigan initiated a program to fund OPEB plans
- FY 2023 State of Michigan initiated several one-time additional contributions:
 - \$1 billion into MPSERS
 - \$140 million due to change in MPSERS payroll growth methodology
 - \$100 million into SPRS
- Notable future changes in contributions:
 - MPSERS OPEB is funded; ~ \$700 million less in contributions needed
 - As MPSERS pension becomes funded, ~ \$3.2 billion less in contributions needed
 - As SERS pension becomes funded, ~ \$600 million less in contributions needed



New Commitments

July 1, 2024 – September 30, 2024

Asset Class	Fund Name / Managed By	Commitment (\$ Millions)
Absolute Return		
	Sixth Street Specialty Lending Europe III (USD Feeder), LP (SSSLE III Management, LLC)	\$125
	Blackstone Capital Opportunities Fund V, LP (Blackstone Capital Opportunities Associates V, LP)	100
International Equity		
	Blackstone Capital Opportunities Fund V, LP (Blackstone Capital Opportunities Associates V, LP)	125
Real Estate and Infrastructure		
	KKR Global Infrastructure Investors V, LP (Kohlberg, Kravis, Roberts & Co. LP)	100
	Transwestern Strategic Partners Fund IV, LP (Transwestern Investment Group)	75
Real, Opportunistic, and Absolute Return		
	Castle Credit SMRS Holdings, LLC Series E (Great Mountain Partners)	200
	TPG Rise Climate II, LP (TPG)	150
	Castle Credit SMRS Holdings, LLC Series D (Great Mountain Partners)	50
	Dawson (Co-Invest) GP Finance II, LP (Dawson Partners)	50
Total		\$975

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Capital Markets

Director of Asset Allocation / Public Markets
Gregory J. Parker



Capital Market Assumptions

MPSERS Plan	Assumed Return* (Arithmetic)	Standard Deviation*	Trailing 10-Year (Benchmark**)
Private Equity	10.9%	20.0%	16.3%
Real Estate	9.6%	21.0%	4.7%
Real Ret / Opportunistic	9.3%	14.4%	7.3%
International Equity	8.4%	19.8%	3.8%
Domestic Equity	8.4%	19.1%	12.5%
Absolute Return	8.4%	11.5%	5.5%
Long-Term Fixed Income	5.0%	5.0%	1.4%
Short-Term	4.3%	1.4%	1.5%

* Aon Investment Consultant's 2024 Long-Term Return/Risk Assumptions

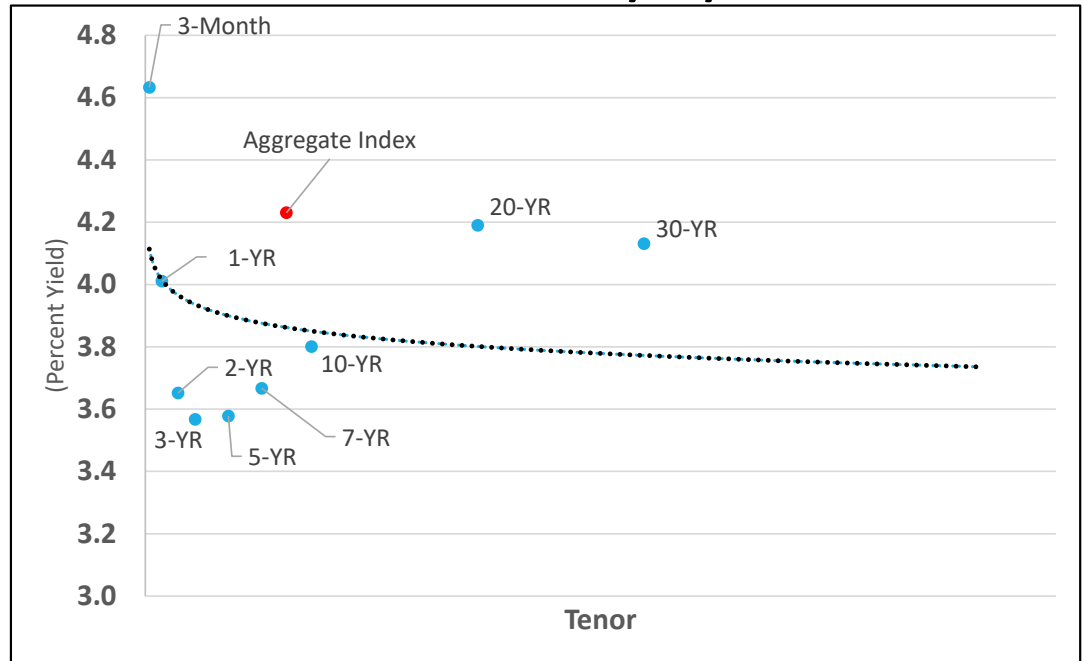
** Investment Policy Statement; Annualized Returns

Actual investment returns may differ due to changing conditions and the availability of new information

U.S. Interest Rates

- Treasury yield curve deeply inverted at the shorter end of the curve
- 3-Month U.S. T-bill yielding 4.63%
- Yield to maturity on the U.S. Aggregate index at 4.23%

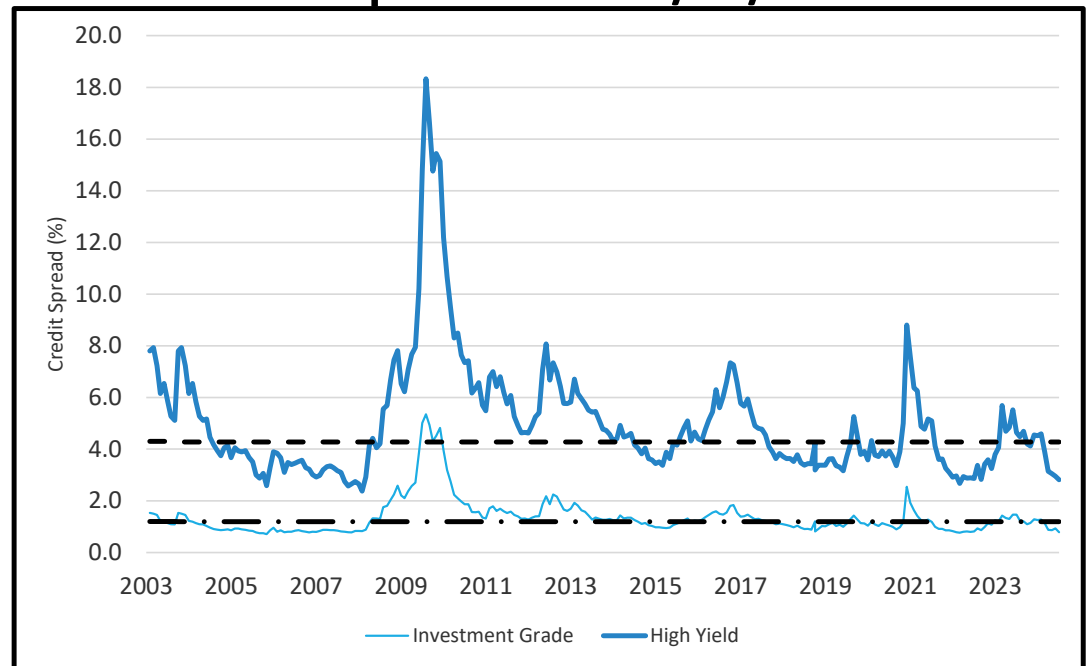
U.S. Rates as of 9/30/2024



U.S. Credit Spreads

- Credit spreads are tight
- Investment Grade credit spreads roughly 40 bps below 20-year median rates
- High Yield credit spreads approximately 140 bps below 20-year median rates

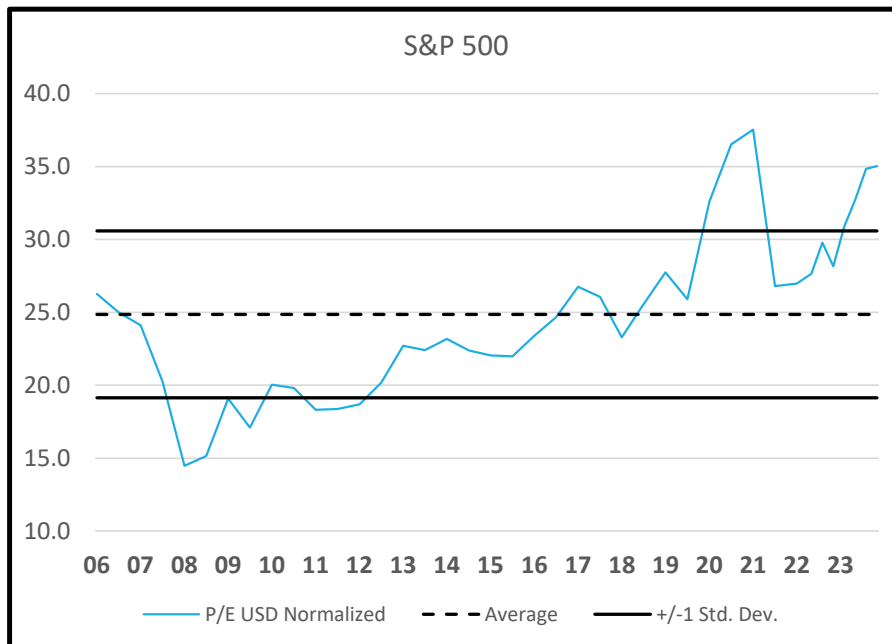
U.S. Credit Spreads as of 9/30/2024



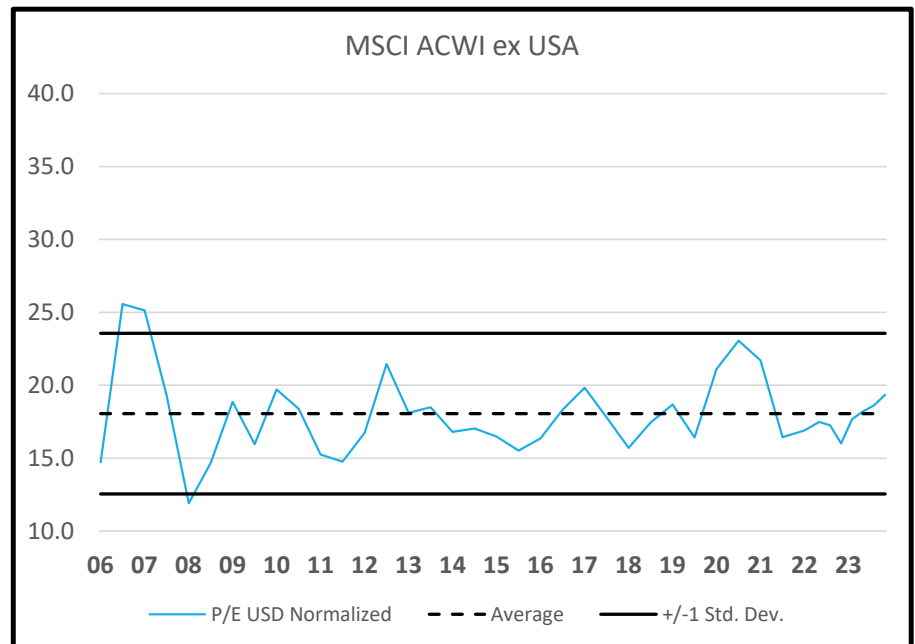
Equity Market Valuations

9/30/24

**U.S. Equities:
More expensive than average**



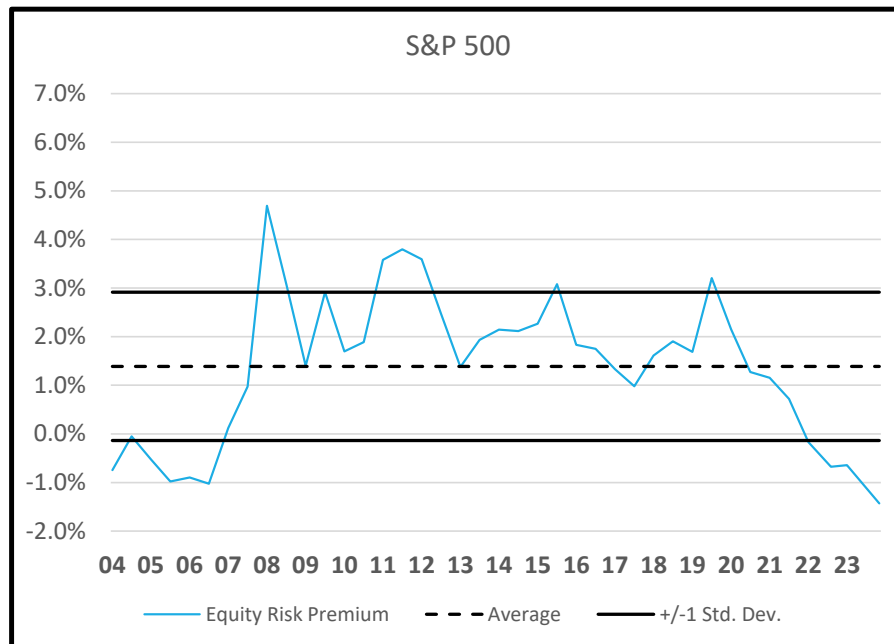
**Non-U.S. Equities:
Average value**



Equity Markets *Relative* Valuations

9/30/24

U.S. Equities:
Expensive to past 20 years



Non-U.S. Equities:
Moderately expensive to past 20 years

