



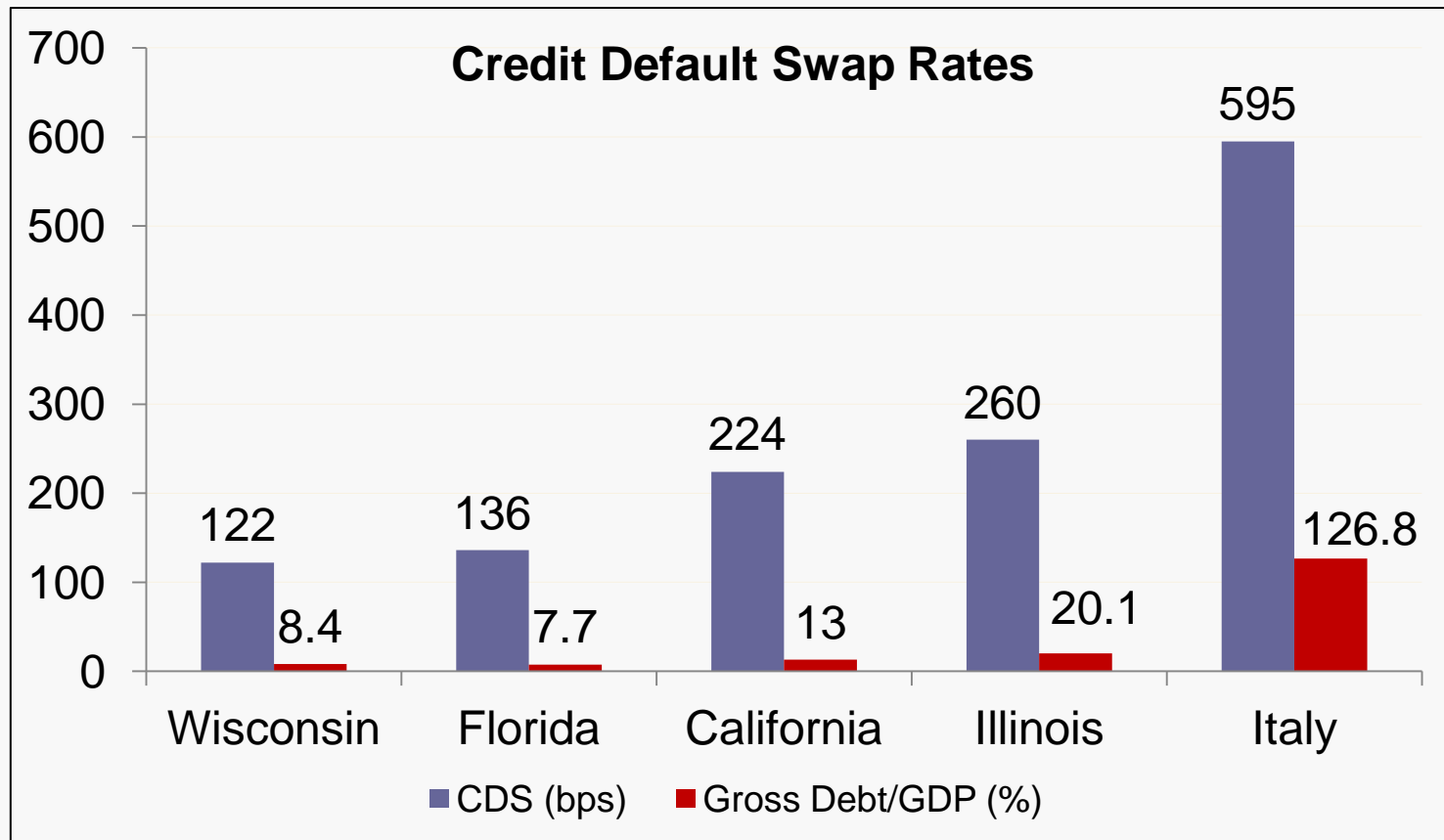
# Employee Trust Funds Board

## SWIB Update


December 1, 2011



# How do we measure the state of the state?



Source: Boston College Pension Fund Database, World Bank



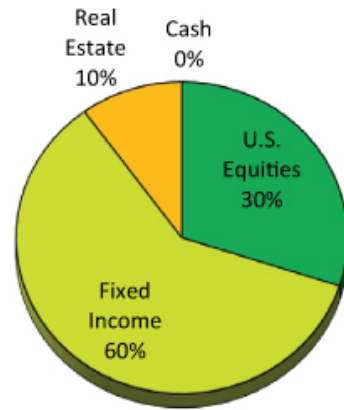
# Economic Data for Select Periods

## 9/30/11

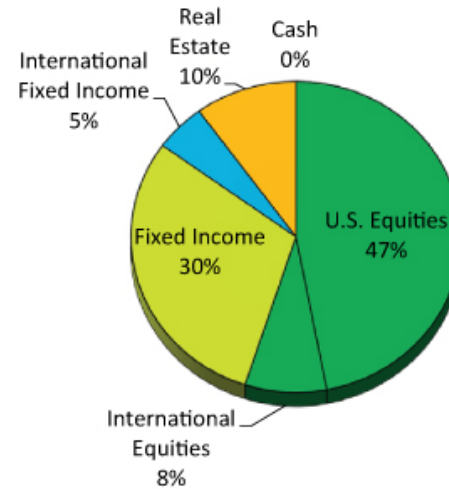
Economic data	The Great Inflation 1973 to 1983	Transition 1984 to 1995	Tech & Credit Bubbles 1996 to 6/2009	Recovery? 7/2009 to current	Full Period 1973 to current
Inflation (CPI)	8.23	3.54	2.49	2.53	4.42
Stock Market (Nominal Return)	8.07	15.45	4.84	11.91	9.36
Stock Market (Return Premium)*	-0.61	8.73	1.36	11.79	3.60
Unemployment Rate	7.28	6.41	5.19	9.44	6.41
Nominal GDP Growth	10.05	6.14	4.61	4.06	6.57
Real GDP Growth	2.63	3.16	2.39	2.37	2.70
Real Personal Income Growth	2.42	3.02	2.41	1.29	2.54
Bond Market (Nominal Return)	7.51	11.02	5.84	8.07	8.03
Bond Market (Return Premium)*	-1.12	4.56	2.33	7.95	2.33
Real Corporate Profit Growth	0.91	5.36	1.73	20.10	3.60

\*90 day T-bill used to calculate return premium.

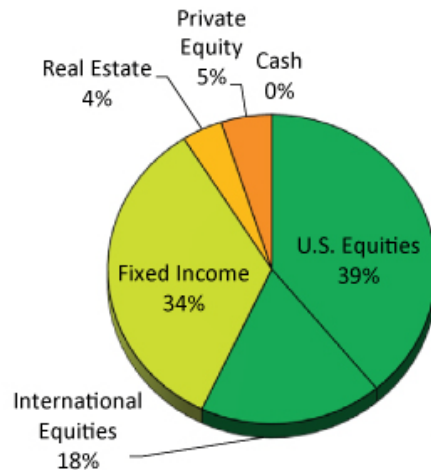
# Historical Strategic Asset Allocation Targets – Core



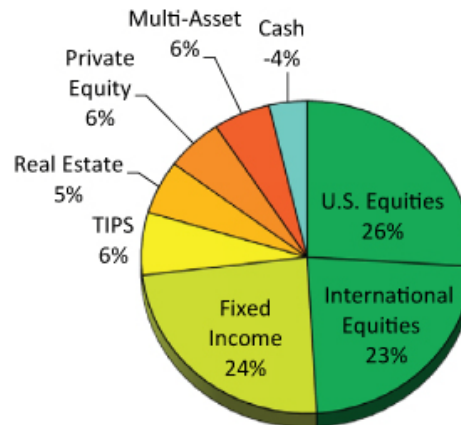
1982



1992



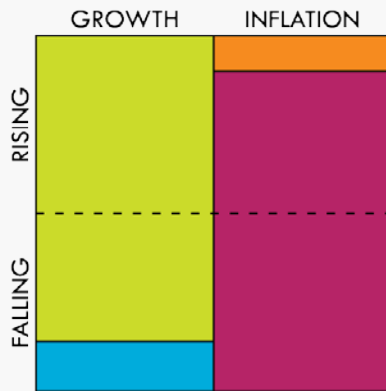
2002



2012

# Environmental Bias-Risk Comparison

## Current Target Portfolio



**Rising Growth 42%**  
 EMD 3%  
 Commodities 0%  
 Equities 90%  
 Real Estate/Infrastructure 0%

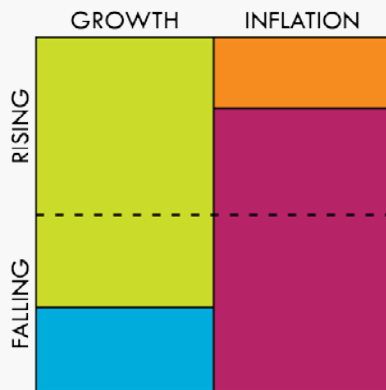
**Falling Growth 7%**  
 I/I Bonds 9%  
 Corporate Bonds 36%  
 Bonds 56%

**Rising Inflation 5%**  
 EMD 31%  
 Commodities 0%  
 I/I Bonds 13%  
 Real Estate/Infrastructure 57%

**Falling Inflation 47%**  
 Corporate Bonds 5%  
 Real Estate/Infrastructure 6%  
 Equities 81%  
 Bonds 8%

**89% Exposure to "Good Times"**

## New Target Portfolio



**Rising Growth 36%**  
 EMD 5%  
 Commodities 0%  
 Equities 84%  
 Real Estate/Infrastructure 10%

**Falling Growth 12%**  
 I/I Bonds 35%  
 Corporate Bonds 26%  
 Bonds 39%

**Rising Inflation 10%**  
 EMD 19%  
 Commodities 0%  
 I/I Bonds 44%  
 Real Estate/Infrastructure 38%

**Falling Inflation 42%**  
 Corporate Bonds 8%  
 Real Estate/Infrastructure 9%  
 Equities 72%  
 Bonds 12%

**78% Exposure to "Good Times"**