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# MPI Predicts Results of Largest U.S. Public Pensions for Fiscal 2024

*MPI prediction of US public pensions for fiscal 2024. Stocks driving returns; higher equity exposure expected to fare better than high allocations to privates.*

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>
> *Michael Markov, Co-Founder and CEO of MPI*

• Exposure to stocks again seen driving public pension returns in FY2024.
• Georgia and Kentucky Teachers projected at top of league tables again.
• Public-private markets divergence continues – systems with higher equity exposure expected to fare better than those with elevated allocations to privates.

Markov Processes International (MPI), a leading provider of investment technology, research, analytics and indices for the global investment management industry, today announced the release of fiscal year 2024 return predictions for U.S. public pensions that manage over $20 billion. The performance estimates for the period spanning July 2023 through June 2024 were produced by running historical return streams through MPI's Dynamic Style Analysis (DSA) – a proprietary quantitative model available within MPI's suite of Stylus software solutions - to estimate factor exposures for each pension.

The results were published in the MPI Transparency Lab, a public resource for returns data and investment analysis on leading institutional portfolios launched in 2023. MPI's estimates of FY2024 pension returns are gross of most management fees and operating expenses. The estimates are projected based on FY2023 factor exposures and do not account for any potential portfolio adjustments nor asset class reallocations made during FY2024.

Estimated Top Performers in FY 2024 Have High Public Equity Allocations:
The highest projected performer amongst the pensions in the study is $95bn  Georgia Teachers (TRSGA) with a predicted return of 16.3%, followed up by $23.9bn Kentucky Teachers (KTRS) with a modeled return of 16.1%. Both estimates topped the 12.5% FY2024 return of a global 60% stocks 40% bonds (60/40) portfolio, as well as the 15.5% return of a domestic 60/40. Such league table leadership would represent continuity with FY2023, when Georgia and Kentucky Teachers topped large public pensions tracked by MPI's Transparency Lab, returning 11.9% and 10.6%,

respectively.

With a nearly 70% allocation to public equities, Georgia reported the highest stock weighting in the study, while Kentucky Teachers' 60.4% allocation was third, just behind Nevada PERS, also a projected top five performer in FY2024 with a 14.6% expected return.

Asset Class Performance:
U.S. stocks again led broad asset classes in FY2024, with mega-cap technology companies powering the S&P 500's 24.6% return. U.S. bonds returned 2.6%, ending a string of down years. Private equity saw a 7.7% return , representing a rebound from FY2023's modest loss. Commodities or natural resources gained 5.0%, hedge funds returned 9.8% and real estate lost -4.3%, the worst performing asset class included in MPI's analysis.

Averages, Long-Term and FY 2024 Laggards:
MPI predicts the average pension in the study will return 11.3% for FY2024. Washington PERS, the top-performing pension over the 10-yr period through FY2023 (9.7%, well above the 8.0% large public pension average and the global 60/40's 6.1%), is projected to achieve a FY2024 return of 10.2% with similar reported allocations to public and private equity.

The three pensions with the lowest estimated returns for FY2024 all reported public equity allocations amongst the lowest five in the peer group. Looking longer-term, however, two of those systems achieved 10-yr returns through FY 2023 that matched or slightly exceeded the 8% average of the pensions peer group. Georgia had a 7.9% annualized return over the same period, while Kentucky returned 8.5%. With the highest reported allocation to PE at the end of FY 2023 (36%), Arizona SRS is projected to return 9.1% in FY2024, well below the average, but its 10-yr return through FY 2023 was an above average 8.5%.

Michael Markov, Co-Founder and CEO of MPI remarked, "As U.S. public pensions calculate their FY2024 returns, we wanted to provide estimates on the MPI Transparency Lab of how their portfolios behaved this fiscal year. Some interesting patterns reemerged to echo FY2023, including the drag on returns from private markets (PE and real estate) and the overwhelming power that exposure, or lack thereof, to mega-cap domestic stocks had on the largest public pension portfolios. We look forward to tracking FY2024 results and using our quantitative techniques to explore the potential sources of any significant disparities between projections and actual results, including the impacts of funding uncalled capital commitments, and to nurture the public dialogue on institutional investing."

Visit the MPI Transparency Lab and sign up for MPI Research.

About Markov Processes International:
Markov Processes International (MPI) is a leading independent provider of quantitative investment research, technology and analytics for the global investment management industry. MPI's flagship Stylus solutions are used by hundreds of firms to make smarter investment

research, portfolio construction, performance analysis, risk surveillance, distribution and reporting decisions. For more than 25 years, MPI has been a trusted, transparent and objective investment technology and insights partner to the world's leading pensions, endowments, sovereign wealth funds, wealth management firms, hedge fund managers, fund of hedge funds, institutional consultants, investment advisors, asset managers and securities regulators.

1. Projected returns and related statistics are based on exposure estimates obtained through a returns-based analysis and, beyond any public information, MPI does not claim to know or insinuate what the actual strategy, positions or holdings of the funds are, nor are we commenting on the quality or merits of the strategies. Deviations between our analysis and the actual holdings and/or management decisions made by funds are expected and inherent in any quantitative analysis. MPI makes no warranties or guarantees as to the accuracy of this statistical analysis, nor does it take any responsibility for investment decisions made by any parties based on this analysis.

2. AUM as of end of FY2023. MPI will update AUM when all pensions publish FY2024 returns.

3. As self-reported at end of FY2023.

4. Proprietary estimates of PE and Real Estate returns are derived from a blend of Cambridge Associates and Preqin Private Equity and Real Estate Indices. Commodities = Bloomberg Commodity Index TR through June '24

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