

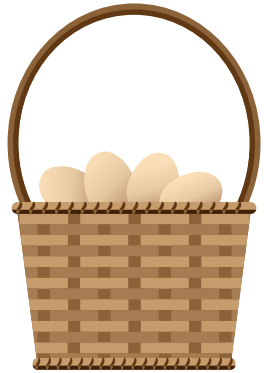
UNDERSTANDING MOSERS' INVESTMENT APPROACH

MOSERS strives to balance investment risk exposures to avoid "putting all our eggs in one basket."

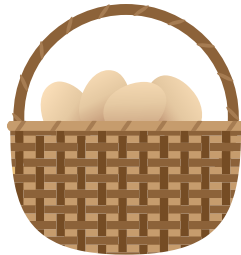


MOSERS' Balanced Investment Risk

- Focuses on the allocation of risk rather than the allocation of capital
- Weights assets so that ALL investment types influence the portfolio similarly across various economic environments and market cycles
- Ability to generate equity-like returns over time
- Balanced diversification can reduce risk



Equities



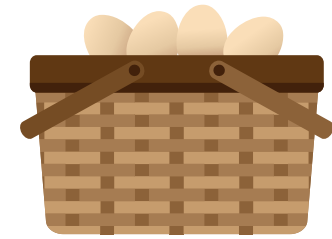
Commodities



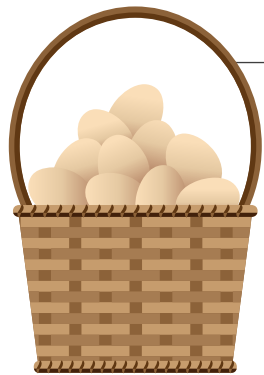
Nominal Bonds



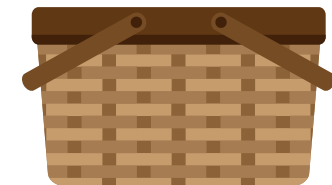
TIPS



Alternative Beta



- Concentration of risk in equities



Common Investment Mix

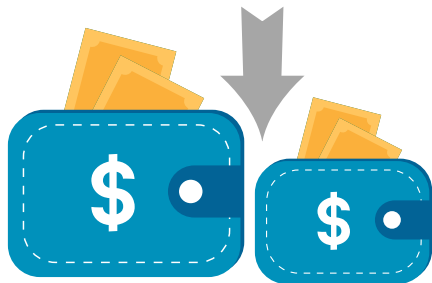
MOSERS' FY18 Investment Highlights



The total fund return for FY18 was **7.4%**

\$589.6M investment income

The total fund return exceeded the policy benchmark by **2.6%** producing nearly **\$200M** more than expected



In FY18, investment fees were reduced by over **\$36M**

Our long-term investment results exceed our current assumed rate of return of **7.25%**, putting us in a good position to outperform our assumptions in the future



9.4%
since inception

Board Initiatives

- Build a portfolio that better serves the needs of stakeholders
 - Implementation of new portfolio 2019-2022
- Engaged in improving MOSERS' funded status by making necessary adjustments and adapting to changing times
- Reduced the assumed rate of return on investments (ARR) from 7.50% to 7.25% and intends to further reduce the ARR to 6.95% for the June 30, 2020 actuarial valuation
 - Higher employer contributions and lower funded status in the short term
 - Will strengthen MOSERS' financial position and, ultimately, members' retirement security in the long term

Investment Staff Initiatives

- Continue the reduction in investment management fees
- Lead the industry in fee transparency
- Work to set a higher standard for due diligence

