



# MOSERS Investment Portfolio (MIP) Investment Option

July 2021

## **DISCLOSURE STATEMENT**

NOT GUARANTEED BY STATE OF MISSOURI  
NOT FDIC INSURED  
MAY LOSE VALUE  
SUBJECT TO RISK OF LOSS

This Disclosure Statement summarizes information about the MIP investment option under the State of Missouri Deferred Compensation 457(b) Plan for Public Employees and the State of Missouri Deferred Compensation Incentive 401(a) Plan for Public Employees. Plan participants should carefully read this Disclosure Statement and retain it for future reference. This Disclosure Statement will be updated at least annually.

## Investment Objective

The Missouri State Employees' Retirement System (MOSERS) is a retirement system organized under the laws of the State of Missouri for the purpose of providing defined retirement benefits to state employees and their beneficiaries.

MOSERS' investments are held in a trust that is an actively managed, diversified investment portfolio, valued at approximately \$9.7 billion as of the date of this statement. Effective July 31, 2012, the MOSERS trust was converted to a master trust and unitized to provide participants in the State of Missouri Deferred Compensation 457(b) Plan for Public Employees and the State of Missouri Deferred Compensation Incentive 401(a) Plan for Public Employees (collectively, the "Plans") with an opportunity to invest in MOSERS' investment portfolio ("MIP"). Please read this information carefully and consider the investment objectives, risks and fees before investing. This option was closed to new investors and transfers in as of June 30, 2017.

## MIP Investment Strategies

MIP's investment strategies are designed to achieve long-term total returns (comprised of capital appreciation and income). MIP is an actively managed diversified portfolio of investments including U.S. and foreign public and private equity and debt, real estate, commodities, emerging markets, foreign currency transactions, derivative transactions, and hedge funds.

The portfolio employs a risk balanced approach, seeking to balance risk across all economic environments by obtaining exposure to various asset classes based on long-term volatility and correlation estimates.

The strategy in the portfolio allows for the expanded use of leveraged positions obtained through certain financial instruments such as swaps, futures contracts, repurchase agreements, forward currency contracts, and securities lending transactions. The amount of leverage is limited based upon policies approved by MOSERS' Board of Trustees. Total leverage is limited to 1.15 times the capital of the portfolio. The detailed policy asset allocation is provided in the graph on the following page.

There is no assurance that these investment strategies will be successful.

## Suitability

As an investor in MIP, you should take into account your tolerance for the daily fluctuations of the financial markets and whether you can afford to leave your money in MIP for a long period of time to ride out down market periods. Due to the long-term nature of MOSERS' liabilities to state retirees and their beneficiaries, the time-horizon for MIP investment decisions in certain instances can exceed 10 years. If you need liquidity or have a short-term investment horizon, you should not invest in MIP. MIP is open to contributions and redemptions on a monthly basis only. MIP objectives may not meet the needs of every investor.

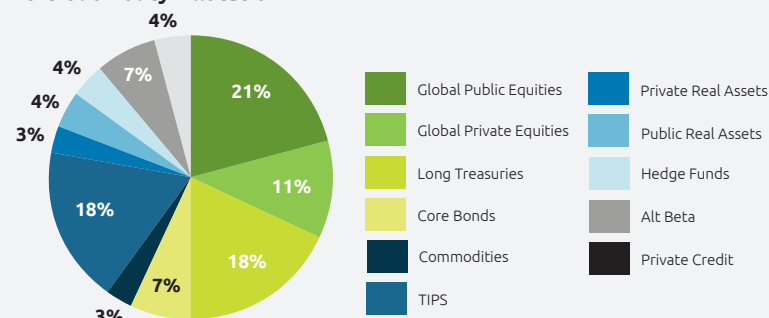
The primary objective of MIP's investment program is to ensure the security of retirement benefits that are owed to retirees and their beneficiaries and to responsibly minimize the future financial burden on the state of Missouri. MOSERS will NOT consider the age, investment objectives, risk tolerance or estimated time until retirement of the Plans' participants, individually or in the aggregate. MIP's risk target, asset allocation and investment strategies may be changed at any time, based on the needs of the retirement system and changing market conditions.

As with all investments, you may lose money by investing in MIP. Please read the "Principal Investment Risks" beginning on page 4 that apply to investing in MIP. **If you are already a member or beneficiary of MOSERS, investing in MIP will not increase or decrease your monthly benefit from MOSERS.**

### MIP Asset Allocation

The graph below illustrates the portfolio policy asset allocation.

Portfolio Policy Allocation



With respect to the MIP investment option, you need to know that MIP:

- Is NOT guaranteed by MOSERS, the State of Missouri, or any other agency of the State or Federal Government
- Is NOT insured by the Federal Deposit Insurance Corporation (FDIC)
- May lose value
- Is subject to investment risks, including loss of principal and earnings

### MIP Fees and Expenses

This table describes the fees and expenses that you may pay if you invest in MIP. Unless noted, fees and expenses are based on actual expenses incurred by MOSERS during its fiscal year ended June 30, 2021.

### Annual Operating Expenses

(expenses that you pay each year as a percentage of the value of your investment)

|   |              |
|---|--------------|
| Annual Operating Expenses and Management Fees | 0.44%        |
| Manager Performance Fees <sup>1</sup>         | 0.50%        |
| Plan Administration Fee <sup>2</sup>          | 0.20%        |
| <b>Total Annual Expenses</b>                  | <b>1.14%</b> |

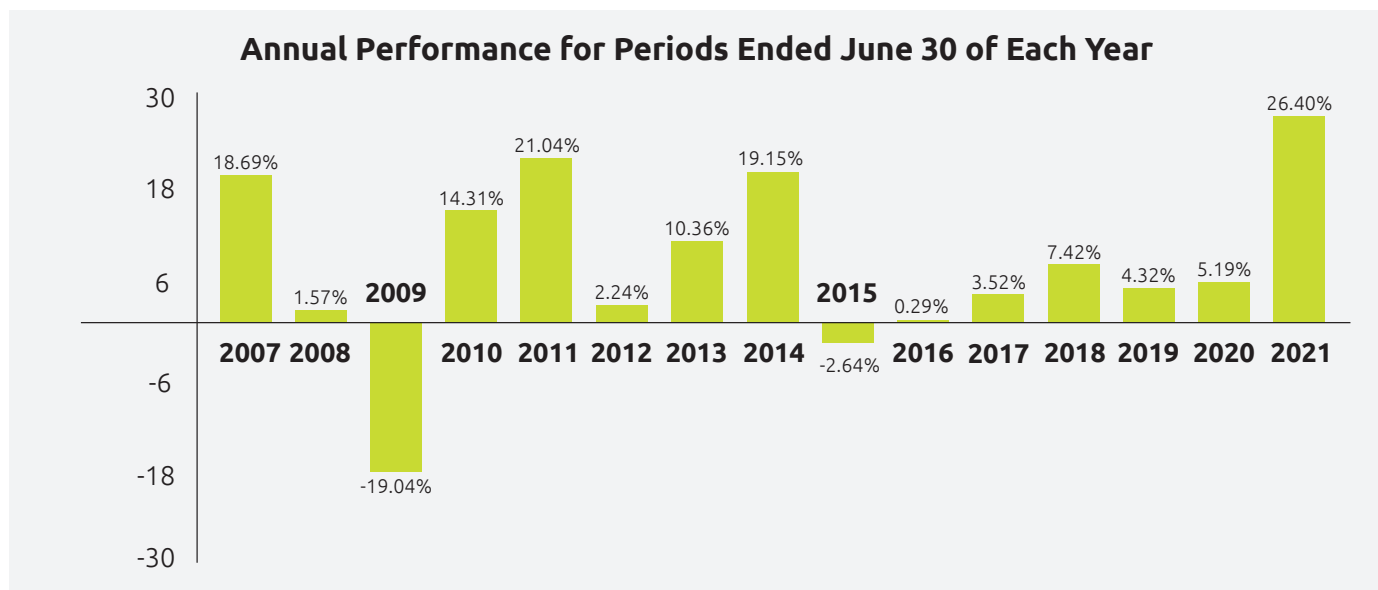
The above table represents the pro-rated fees and expenses that are paid by the investors in MIP. This represents the cost of investment management and administration of MIP. There are no revenue-generating fees paid to MOSERS by MIP investors.

<sup>1</sup> Performance fees and carried interest distributions may vary greatly from year to year, depending on the nature of MIP investments, performance of those investments and general market conditions. Any estimate of these fees cannot be reliably predicted from year to year. Paid performance fees are a result of profit-generating investment management.

<sup>2</sup> Applicable to MIP only.

### MOSERS' Performance

The bar chart below and the table on the following page illustrate the variability of MOSERS' historical returns and the risks of investing prior to the creation of MIP. The bar chart shows how MOSERS' performance has varied from year to year over the past 15 fiscal years. The table compares MOSERS' prior performance to that of a broad-based market index and its custom policy benchmark.



Performance returns are shown for periods ended June 30th, and assume reinvestment of all dividends and capital gains. Returns are calculated in US Dollars after deducting fees and expenses incurred by MOSERS, but do not reflect MIP plan administration fees to be charged, which would reduce the returns shown. MIP performance returns will differ due to differences in expenses. PAST PERFORMANCE IS NO GUARANTEE OF FUTURE PERFORMANCE.

### Annualized Total Returns for Periods Ended June 30, 2021

|   | 1 Year | 5 Years | 10 Years | Since Inception<br>(April 1981) |
|---|--------|---------|----------|---------------------------------|
| MOSERS                                      | 26.40% | 9.05%   | 7.31%    | 9.77%                           |
| MSCI ACWI (60%)/BARC AGG (40%) <sup>1</sup> | 23.82% | 10.13%  | 7.36%    | N/A                             |
| Policy Benchmark <sup>2</sup> Return        | 25.20% | 6.86%   | 6.89%    | 6.12%                           |

Current and future performance may be lower or higher than the performance quoted above. Quarterly performance may be accessed on MOSERS' website at [www.mosers.org](http://www.mosers.org).

<sup>2</sup> The MSCI All Country World Index (ACWI), MSCI's flagship global equity index, is designed to represent performance of the full opportunity set of large- and mid-cap stocks across 23 developed and 27 emerging markets. The Barclays Capital Aggregate Bond Index is used to represent investment grade bonds being traded in the United States. Indices do not reflect investment management fees, brokerage commissions and other expenses associated with investing.

<sup>3</sup> The Policy Benchmark was selected by MOSERS and was comprised of the following components as of June 30, 2021: 21% Global Public Equities, 11% Global Private Equities, 18% Long Treasuries, 7% Core Bonds, 3% Commodities, 18% TIPS, 3% Private Real Assets, 4% Public Real Assets, 4% Hedge Funds, 7% Alt Beta, and 4% Private Credit.

### Principal Investment Risks

Investors should carefully consider their risk tolerance before investing in MIP. As with all investments, you may lose money by investing in MIP. Please read the other risks detailed below that apply to investing in MIP.

- **Market Risk.** Market risk involves the possibility that investments in various asset classes will fall because of a decline in the stock market, reducing the value of an individual company's stock regardless of the success or failure of an individual company's operations.
- **Equity Securities Risks.** Common stocks and other equity securities generally increase or decrease in value based on the earnings of a company and on general industry and market conditions, which tend to have greater fluctuations in share price than a fund that invests a significant portion of its assets in fixed income securities.
- **Small and Mid-Cap Company Risk.** Security prices of companies with small and medium market capitalizations are often more volatile and less liquid than investments in larger companies. Small and medium market capitalization companies may face a greater risk of business failure, which could increase their volatility.
- **Foreign Securities Risk.** Foreign securities can be more volatile than domestic (U.S.) securities. Securities markets of other countries are generally smaller than U.S. securities markets. Many foreign securities may also be less liquid than U.S. securities, which could affect MIP performance. Securities of foreign companies in emerging markets are subject to additional risks. Securities denominated in foreign currencies are subject to the risk of adverse changes in currency exchange rates that may reduce or eliminate gains or create losses.
- **Fixed Income Risk.** Fixed income securities are subject to credit risk, interest rate risk and liquidity risk. Credit risk is the risk the issuer or guarantor of a debt security will be unable or unwilling to make timely payments of interest or principal or to otherwise honor its obligations. Interest rate risk is the risk of losses due to changes in interest rates. In general, the prices of debt securities rise when interest rates fall, and debt securities prices fall when interest rates rise. Liquidity risk is the risk a particular security may be difficult to purchase or sell and that illiquid securities may not be sold at an advantageous time or price. Investments in government-sponsored entity securities also exhibit these risks, although the degree of those risks may vary significantly among the different government-sponsored entity securities. Some securities issued or guaranteed by U.S. government agencies or instrumentalities are not backed by the full faith and credit of the U.S. and may only be supported by the right of the agency or instrumentality to borrow from the U.S. Treasury. High yield securities, high risk

securities (commonly known as “junk bonds”) are subject to greater levels of interest rate and credit risks than investment grade bonds. Junk bonds are considered predominately speculative with respect to the issuer’s continuing ability to make principal and interest payments. An economic downturn could adversely affect the market for these securities.

- **Derivatives Risk.** Derivative instruments (for example, swaps, options, futures and index-based instruments) may be used for hedging or speculative purposes. Derivatives may be used for hedging purposes to gain exposure to or remove exposure from particular securities or markets. Derivatives may be used for speculative purposes to increase total return. The use of derivative instruments involves the risk that those instruments may not work as intended due to unanticipated developments in market conditions or other causes.
- **Counterparty Risk.** Derivative contracts that are traded “over-the-counter” (not traded on an exchange) are subject to additional risks. These include the risk that the counterparty to the derivative contract may be unable or unwilling to meet its obligations to MIP. If the institution on the other side of MIP defaults on its obligations, the value of MIP units could decrease. In addition, the recent credit crisis and resulting market disruptions have led to increased governmental, as well as self-regulatory, scrutiny of the markets in general. It is impossible to predict the changes in regulations that may result from these developments, but any regulations which restrict the ability of MIP to employ, or broker-dealers and other counterparties to extend, credit in their trading (as well as other regulatory changes which result) could have a material adverse impact on MIP’s returns.
- **Alternatives Risk.** Private investment funds may engage in speculative alternative trading strategies. These funds’ assets may be illiquid and their performance results can be extremely volatile. The managers of these alternative funds typically provide MOSERS with estimated, unaudited fund values at least quarterly. As a result, the MIP’s unit value will be calculated based on these estimates, which may not be accurate at the time of unit value calculation due to material changes in the markets and/or the value of the funds’ assets since the dates of the estimate. Fair valuation is inherently subjective, and there is no guarantee that fair valuation would be achieved upon the sale of a security. Investments in alternative funds are illiquid, and the assets of the funds also may be illiquid.
- **Real Estate Risks.** Risks generally associated with investing in real estate include (i) possible declines in the value of real estate, (ii) adverse general and local economic conditions, (iii) possible lack of availability of mortgage funds, (iv) changes in interest rates, (v) inconsistent payments from underlying property users, and (vi) environmental concerns.
- **Short Sales Risk.** The risk of loss if the value of a security sold short increases before the delivery date because of the possibilities that the trust must pay more for the security than it has received from the purchaser in the short sale.
- **Portfolio Turnover Risk.** MIP incurs transaction costs, such as commissions, when it buys and sells securities (or “turns over” investments in its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may negatively affect performance.
- **Securities Lending Risk.** MIP’s participation in a securities lending program may result in losses to investors. Securities lending programs and subsequent reinvestment of the posted collateral are subject to a number of risks, including the risk that the value of the investment held in collateral pools may decline in value, be sold at a loss or incur credit losses.
- **No Oversight by the SEC.** MIP and MOSERS are exempt from registration under the Investment Advisers Act of 1940, as amended, because they are instrumentalities of the State of Missouri formed for the purpose of implementing the state’s retirement system. In addition, MIP is exempt from registration under the Investment Company Act of 1940, as amended, and the Securities Act of 1933, as amended. The SEC (or any regulatory authority) has not reviewed or approved this Disclosure Statement.
- **Leverage Risk.** Leverage creates exposure to returns from assets greater than the value of MIP’s portfolio. MIP will incur leverage through its use of derivative strategies, including repurchase agreements, swaps, futures contracts, securities lending and other derivative investments or techniques. While leverage may increase MIP’s potential total returns, it comes with a corresponding increase in risk and may increase

volatility of the value of MIP units. When MIP uses leverage to increase its exposure to an investment or asset class, even a relatively small market movement may result in significant losses. The costs associated with investment leverage may lower MIP's overall returns, and there is no guarantee that the use of leverage will be successful.

- **Investment Strategy Risk.** There is no assurance that MIP will achieve its investment objective or that MIP's new investment strategy will be successful. The change undertaken to balance risk exposure across asset classes may result in performance that is below that which would have been achieved otherwise. While MIP seeks to mitigate risks associated with leverage by taking steps such as improved diversification, limiting the amount of leverage and requiring a certain amount of cash to be held as a buffer, there is no guarantee that these measures will prevent MIP from suffering losses as a result of its leveraged positions.
- **Volatile Market Conditions.** During 2008 and 2009, U.S. and international markets experienced dramatic volatility. The securities markets have experienced substantially lower valuations, reduced liquidity, price volatility, credit downgrades, and increased likelihood of default and valuation difficulties. Given the events of 2008-2009, many of the above risks may be increased over the levels that investors historically perceived. The U.S. and foreign governments have taken numerous steps to alleviate these market conditions. However, there is no assurance that such actions will be successful.

## MOSERS' Governance and Management

MOSERS is an instrumentality of the State of Missouri that was established in 1957 by state law for the purpose of providing retirement benefits to most state employees. MOSERS' Board of Trustees is responsible for establishing broad policy guidelines and benchmarks designated to enable it to achieve its investment objective. The 11-member Board is comprised of two members from each of the State Senate and House of Representatives, two members appointed by the Governor, the State Treasurer and Commissioner of Administration, and three other system members elected by members of the system. The day-to-day management of the trust is delegated to the executive director who is appointed by the Board. The executive director acts as advisor to the

Board on all matters pertaining to the retirement system, and employs professional staff to manage the system's assets. The executive director, chief operating officer and chief investment officer are responsible for planning, organizing and administering the operations of MOSERS under the broad policy guidance and direction of the Board.

MIP is managed by MOSERS investment professionals. Investment activities are accomplished through direct management by MOSERS' investment staff, as well as by independent third party investment managers selected by MOSERS staff. MOSERS engages an external asset consultant to provide advice on general asset allocation, to review certain investments and to conduct due diligence on third party investment managers. MOSERS also engages a global hedge fund consultant to conduct due diligence and provide advice on hedge fund investments. These external asset consultants also advise the Board on policies related to MOSERS' investment and hedge fund programs and provide a third-party perspective and level of oversight.

## Financial Information

MOSERS' Comprehensive Annual Financial Report for the current fiscal year is posted on MOSERS' website at [www.mosers.org](http://www.mosers.org). The Report details MOSERS' asset allocation, investments, management fees and expenses. Past annual reports dating from 1998 are also available on the website.

## Unit Value

A net asset value for each unit of the master trust owned by MIP ("unit value") will be determined by the Custodian as of the close of the New York Stock Exchange ("NYSE") as of the last business day of each month (or the prior business day if the NYSE is closed on that day). The NYSE is closed on the following national holidays: New Year's Day, Martin Luther King Jr. Day, Presidents Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day. Your purchase or sale price to invest or divest in MIP will be the MIP unit value as of the last business day of the month in which your purchase or sell request is received in proper form. That unit value will not be established until the 2nd last business day of the **next month**. For example, if you submit a MIP purchase or sale request in **March**, the unit value of your purchase or sale will not be established until the 2nd last business day of **April**.



The MIP unit value is calculated by adding the total value of the master trust’s investments and other assets (including accrued interest and dividends), subtracting the liabilities (including expenses accrued by MIP), and then dividing that figure by the total number of units as follows:

$$\text{Unit Value} = \frac{\text{Value of Assets} - \text{Liabilities}}{\text{Units held in MIP Account}}$$

MIP expenses (such as record keeping and custodial expenses incurred by the Plans’ participants) are charged solely to MIP’s Account. As a result, the performance return for each master trust account will vary.

Securities will be valued by the Custodian at the latest available market price. MIP invests in foreign securities listed on foreign exchanges that trade on days when the Custodian does not calculate a unit value. As a result, the market value of your investment in MIP may change on days when you cannot purchase or sell your investment. MIP’s investments in private funds and alternative assets are illiquid and may be valued based on estimated, unaudited values provided by the funds’ managers several months in advance of the unit value calculation date. MOSERS’ investment staff will revise these estimates only if they have actual knowledge of material adjustments to such values. If a market quotation is not readily available or is deemed unreliable, the security will be valued at a fair value determined in good faith by the applicable investment manager. There is no guarantee that MIP would realize proceeds equal to fair value upon the sale of a security.

**Service Providers**

Bank of New York Mellon serves as Custodian. ICMA-RC serves as record keeper for the Plans.

**How to Invest in MIP**

Before investing, you should read about the suitability, investment objective, investment strategies and risks associated with the MIP investment option.

**Important Terms:**

**MIP** ..... *MOSERS Investment Portfolio*

**MPCR** ..... *MIP Pending Credits*

Account where contributions and transfers **to** MIP will be held pending monthly valuation. **This account does not earn interest.**

**MPTO** ..... *MIP Pending Transfers Out*

Account for transfers **out** of MIP into daily valued investment options. **This account does not earn interest.**

**Core Funds**

Core Funds include custom target date funds offered by the Plans as well as the ING Stable Value Fund, but do not include MIP or Brokerage Window.

MIP is an available investment option in both the 457 and 401(a) DC Plans.

**Future Allocations/Contributions to MIP**

1. Future allocations to MIP can be set up in Account Access or by contacting the state of Missouri Deferred Compensation Plan at 800-392-0925.
2. Future contribution assets will go to the MPCR. Money credited to MPCR in a given month is transferred to MIP as of month-end, although the monthly unit value will not be determined until the second to last business day of the following month.
3. Contributions will be invested in MIP as of the month-end unit value, although the monthly unit value will not be determined until the 2nd to last business day of the following month.
4. **Only 90% of future allocation investment elections can be directed to MIP** (initiated in the MPCR). The remaining 10% must be allocated to the Core Funds. If a participant chooses to allocate future investment elections to both MIP and the Brokerage Window, the combination will be limited to 90%.

**Transfers to MIP**

1. Transfers **to** MIP are initiated by transferring to the MPCR.
2. Money credited to MPCR in a given month is transferred to MIP as of month-end, although the monthly unit value will not be determined until the second to last business day of the following month.
3. The trade date of the transfer to MIP will be the last business day of the requesting month.
4. Transfers out of the MPCR will **not** be allowed, since this is a holding account for funds to be credited to MIP fund.
5. At any time, participants must have at least \$500 remaining in Core Funds.

## Transfers out of MIP

1. There can only be one transfer **out** of MIP per month.
  - a. Prior transfer requests must be rescinded before new requests can be accepted.
  - b. Rescissions can be made through the last business day of the requesting month.
2. Transfers out of MIP will occur on the 2nd to last business day of the following month, but the trade date will be as of the last business day of the requesting month.
3. Transfers to the Core Funds will be placed into the MPTO as of the last business day of the requesting month and moved into daily valued investment(s) on the 2nd to last business day of the following month.
4. Transfers can be made by indicating a dollar amount or percentage.
5. Participants can transfer from MIP to any Core Fund or the Brokerage Window, but not to the MPCR.
6. If a participant is requesting transfers in two consecutive months, the second transfer cannot be requested until the first transfer is posted to their account on the 2nd to last business day of the second month. Therefore, the second request can only be completed on the last business day of the second month in question, or any time thereafter.
7. There may be a delay of up to two months depending on the timing of the transfer request out of MIP.

## Distributions\* from MIP

Participants must transfer assets from MIP into Core Funds in order to make a withdrawal from their plan account. If a participant is anticipating a withdrawal, the participant must plan in advance to ensure that transfers are made to the Core Funds.

## In-Plan Roth 457 Conversions

1. There will be no In-Plan Roth conversions from MIP.
2. The participant must move assets to Core Funds before completing an In-Plan Roth conversion.

## Required Minimum Distributions (RMDs)

1. MIP account balance will be included in the analysis of the RMD required amount.
2. No RMDs will be made directly from MIP.

3. Plan participants will need to transfer assets from MIP to the Core Funds to satisfy RMD requirements.

## Quarterly MIP Account Statement

Participants will receive quarterly account statements. MIP's unit value will be provided in the quarterly statement, although the reported value may lag the quarter-end by more than one month.

As a reminder, the most current monthly MIP unit value is available by logging into Account Access at [www.modeferredcomp.org](http://www.modeferredcomp.org).

## More Information

For more information about MIP's investment strategies, risks, fees and expenses, asset allocation and other important details, please refer to MOSERS' Comprehensive Annual Financial Report, available on MOSERS' website at [www.mosers.org](http://www.mosers.org).

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\*Distributions are available upon separation from service, under the 457 emergency withdrawal provisions or through an in-service withdrawal of rollover assets.