

Active Management versus Passive Analysis

10-Years

1/1/06 - 12/31/15

<u>MERS' decision to hire some active managers versus hiring only passive managers.</u>							
		<u>Time Weighted Returns</u>			<u>Dollar Weighted Estimates (Net of fees)</u>		
		<u>Annualized MERS Asset Class</u>	<u>Annualized Index</u>		<u>Value of a Dollar Invested in</u>	<u>Active Management Impact</u>	
<u>MERS Asset Class</u>	<u>Index</u>	<u>Gross</u>	<u>Net of fees</u>	<u>Net of fees</u>	<u>MERS Asset Class</u>	<u>Index</u>	<u>\$Millions</u>
Domestic Equity	Russell 3000	6.49%	6.19%	7.33%	\$ 1.82	\$ 2.03	\$ (184.0)
International Equity	MSCI EAFE	4.75%	4.30%	3.01%	\$ 1.52	\$ 1.34	\$ 114.3
Global Equity *	MSCI World / ACWI	6.66%	6.27%	7.57%	\$ 1.42	\$ 1.52	\$ (25.5)
Fixed Income	Barclays Aggregate	5.60%	5.48%	4.50%	\$ 1.71	\$ 1.55	\$ 87.9
Estimate of Fund's benefit from its decision to hire active managers over past 10 years.							\$ (7.3)

Manager Fees for indices are assumed to be:

Russell 3000 Index - 2 basis points

MSCI EAFE Index - 5 basis points

MSCI World / ACWI Index - 5 basis points

Barclays Aggregate Index - 2 basis points

Value estimates are based on monthly ERS asset class balances.

* Inception Date for Global Equity Composite is April 1, 2010