Risk Tolerance

Novi's allocation as of 9/30/2024 is expected to result in an ever-increasing funded ratio

- Taking some risk off the table is expected to increase the likelihood of remaining overfunded, reduce the portfolio's volatility, and reduce the probability of any future contributions

A 40% return-seeking portfolio aligns with the expected long-term actuarial rate of return (6.00%)

- The current expected return is 7.00% but feedback from Novi is that it will be decreasing to 6.00%
- Portfolios below 40% return-seeking assets can provide narrower ranges of outcomes, but will start to erode the funded status

	9/30/2024 Allocation	40% Return-Seeking Assets
Return-Seeking (R-S) %	58%	40%
New Asset Classes	N/A	No
Expected Return[1]	6.45%	5.96%
Portfolio Volatility	11.26%	8.25%
Probability of 100% Funded after 15 Years	80.7%	81.1%
Probability of Contributions During 15 Years	38.0%	34.3%

[1] Expected returns are using Aon's 30-Year Capital Market Assumptions as of 9/30/2024. CMAs contain projections about future returns on asset classes. Our CMA projections are designed to reflect the typical cost of implementing an investment program. Expected returns are calculated using weighted allocations of the underlying CMAs. Expected Returns are geometric (long-term compounded; rounded to the nearest decimal) assuming portfolio weights are rebalanced annually. Expected returns presented are models and do not represent the returns of an actual client account. Your actual returns will be reduced by your advisory fees and other expenses you may incur as a client. Aon's advisory fees are described in Part 2A of Aon's Form ADV. Not a guarantee of future results.

Totals may not sum to 100% due to rounding.

Portfolio Diversification

Novi's return-seeking allocation as of 9/30/2024 is primarily public equity

- Diversifying into additional asset classes is expected to further reduce the portfolio's volatility, increase the probability of staying overfunded, and decrease the probability of any future contributions

Additional diversification is recommended in the following asset classes:

- **Return-Seeking Fixed Income**
  - o Diversifies public equities and core fixed income
  - o Rotates among credit sub-strategies including, but not limited to: high yield, emerging markets debt, bank loans, and securitized
- **Open-Ended Real Assets**
  - o Diversifies public equities
  - o Income and inflation protection
  - o Modeled as 50% core real estate / 50% core infrastructure

	9/30/2024 Allocation	40% Return-Seeking Assets	40% Return-Seeking Assets with Diversification
Return-Seeking %	58%	40%	40%
New Asset Classes	N/A	No	Yes
Expected Return[1]	6.45%	5.96%	5.91%
Portfolio Volatility	11.26%	8.25%	7.03%
Probability of 100% Funded after 15 Years	80.7%	81.1%	82.2%
Probability of Contributions During 15 Years	38.0%	34.3%	30.1%

[1] Expected returns are using Aon's 30-Year Capital Market Assumptions as of 9/30/2024. CMAs contain projections about future returns on asset classes. Our CMA projections are designed to reflect the typical cost of implementing an investment program. Expected returns are calculated using weighted allocations of the underlying CMAs. Expected Returns are geometric (long-term compounded; rounded to the nearest decimal) assuming portfolio weights are rebalanced annually. Expected returns presented are models and do not represent the returns of an actual client account. Your actual returns will be reduced by your advisory fees and other expenses you may incur as a client. Aon's advisory fees are described in Part 2A of Aon's Form ADV. Not a guarantee of future results.
Totals may not sum to 100% due to rounding.

Summary of Results

Given Novi's strong funding position, there can be a range of appropriate solutions that balances Novi's desire to (1) remain fully funded, (2) minimize contributions, and (3) minimize portfolio

Our analysis highlights that a range from 20% to 40% return-seeking assets balances these objectives

The 40% return-seeking portfolio (shown to the right) was selected from that range due to its alignment with the projected long-term actuarial rate of return (6.00%), which is expected to keep the funded ratio steady over time

Aon recommends revisiting the asset allocation with another asset-liability in 3-5 years, or sooner if circumstances warrant

Asset Class	Target Allocation
Return-Seeking Assets	
- Public Equity	30%
- Liquid Return-Seeking Fixed Income	4%
- Open-End Real Assets	6%
Risk-Reducing Assets	
- Risk-Reducing Fixed Income	60%
Total	100%

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