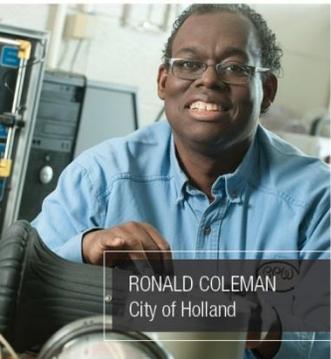




KEVIN CORSINI
Hazel Park Fire Department



RONALD COLEMAN
City of Holland



BONNIE SUCHECKI
City of Grand Haven

Proposal to
Gratiot County
for the
**MERS Retiree Health
Funding Vehicle**

April 26, 2019

Submitted by
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Municipal Employees' Retirement System of Michigan

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Executive Summary

The Municipal Employees' Retirement System (MERS) of Michigan is an independent professional retirement services company that was created to administer the retirement plans for Michigan's local units of government on a not-for-profit basis. We are independent from the State of Michigan, and work in partnership with our members to deliver superior value while meeting their individual needs.

MERS has been partnering with local units of government to provide retirement services since 1945. Today, we serve over 900 employers with more than 100,000 participants and over \$11 billion in total assets. In addition, over 200 local units of government partner with MERS to prefund their other post-employment benefits (OPEB) through the MERS Retiree Health Funding Vehicle (RHFV).

Key Differentiators

The RHFV will provide Gratiot County (the County) with a simple answer to a complex problem — how to establish an irrevocable OPEB trust with cost-effective, diversified investments. As an established Section 115 Governmental Integral Part Trust, the RHFV offers several advantages for prefunding your existing OPEB obligations:

- The County can begin participating in the RHFV immediately with ***no startup costs***
- The Trust has been approved by a Private Letter Ruling from the IRS
- The County determines the amount and frequency of contributions and withdrawals
- The straightforward investment menu is managed by MERS and offers cost-effective, diversified investment portfolios
- Funds in the Trust can transfer between the RHFV and the MERS Health Care Savings Program (HCSP)



Look for this symbol throughout this proposal for more information about our key differentiators

Investment Oversight

MERS is governed by an independent unpaid board that is responsible for the administration of the Retirement System, has the fiduciary responsibility for selecting the investment options, and oversees the system. Our board is committed to accountability and transparency, holding the line on costs, and watching out for the best interest of our members.

The RHFV provides the County with a select menu of investment options to design a portfolio to match your needs. MERS board provides investment oversight through an Investment Policy Statement (IPS) that outlines underlying philosophies and the process for the selection, monitoring, and evaluation of the investment choices and investment managers. These options include access to the MERS Total Market Portfolio—which is our Defined Benefit Portfolio—along with other risk adjusted strategies to help you build the right mix to meet your investment objectives. Each portfolio has a target allocation mix that is rebalanced quarterly.

Low Cost

As a multiple-employer plan, MERS creates economies of scale by pooling together assets for investment purposes, while maintaining separate accounts for each unit of government. This approach provides our members with the substantial buying power of more than \$11 billion in assets, with the same low cost funds available to all our members at the same rate.

Conclusion

As an established trust, the RHFV is a low-cost solution that makes it easy for employers to set aside assets to prefund OPEB liability while benefitting from investing in carefully selected investment options. In addition to saving your municipality the upfront cost of establishing an individual trust, the economies of scale created by pooling assets to reduce your investment expenses, resulting in more assets on the balance sheets.

With a straightforward adoption process, simple investment menu, and immediate access to begin depositing funds, the RHFV is a turnkey solution to funding the County's OPEB liability.

1) Company and General Information

a. Company name and address

Municipal Employees' Retirement System (MERS) of Michigan
1134 Municipal Way
Lansing, MI 48917

b. RFP contact information

Colleen Kuehnel
Benefits Advisor and Education Manager
1134 Municipal Way
Lansing, MI 48917
T 517.703.1235
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ckuehnel@mersofmich.com

2) Qualifications and Experience of the Institution

a. Describe the Institution's history and organizational structure.

MERS is a statewide retirement plan that was created by the Michigan Legislature as an independent pension fund that eligible Michigan municipalities may join to provide post-retirement benefits for their employees. We are a statutory public corporation and an agent, multiple-employer 401(a) qualified governmental pension plan exempt from taxation under 501(a). MERS has partnered with eligible Michigan municipal organizations for more than 70 years to provide their employees the promise of safe, secure retirements.

MERS operates on a not-for-profit basis and is governed by an independent, nine-member board that serves without compensation. The MERS Retirement Board serves as the fiduciary of the funds and has oversight responsibilities for the System, in accordance with the state and federal laws that govern municipal retirement and OPEB programs.



MERS operates on a not-for-profit basis, ensuring that we act in the best interest of our customers

MERS Retirement Board

Three Employee Members:
Non-officers of a participating municipality, elected by membership

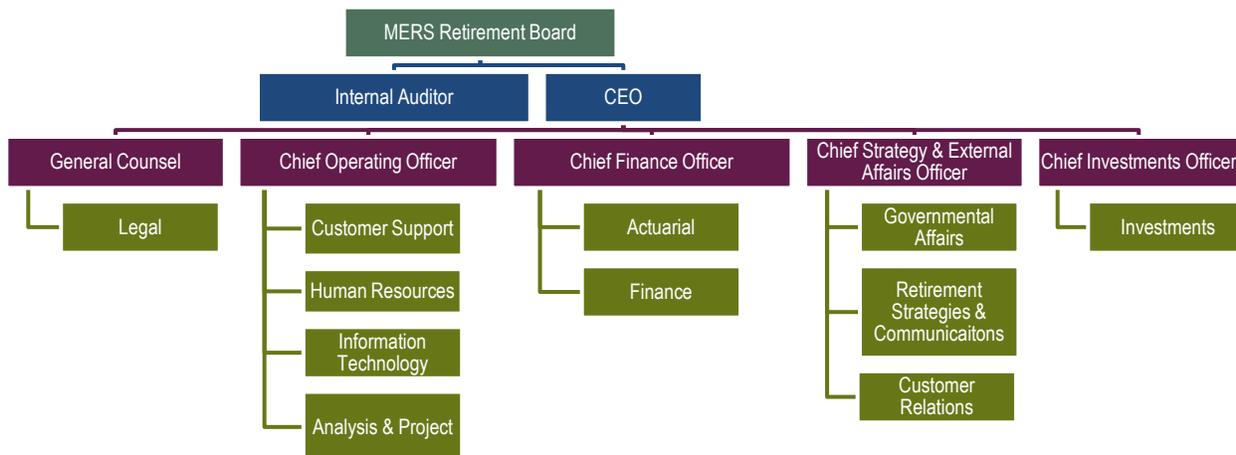
Two Expert Members:
With experience in retirement systems or investment management, appointed by the Board

Three Officer Members:
Officers of a participating municipality, elected by membership

One Retiree Member:
Retiree of the System, appointed by the Board



MERS Organizational Chart



c. Which office(s) of your organization will have primary responsibility for this account?

MERS services all our members from our office in Lansing, Michigan.

d. Does your organization have offices that serve the residents of Gratiot County?

MERS assigns Regional Teams to provide personal and local service to municipalities throughout the state of Michigan. The County will be served by a three-member team dedicated to municipalities in Mid-Michigan.



Your Regional Team



Marne Daggett
Regional Manager
mjdaggett@mersofmich.com

Marne Daggett is the primary point of contact for participating municipalities in Mid-Michigan, providing consultation regarding plan administration, program and benefit changes, participant education, needs analysis, and collective bargaining assistance. She is available for on-site meetings with administrators, councils, boards and committees, and is responsible for ensuring outstanding service and value through the coordination of the MERS Regional Team. Marne joined MERS in 2010.

- BA, Behavioral Science – Cedarville University
- Health and Life Insurance Licenses



Leah Flores
Benefit Plan Advisor
lflores@mersofmich.com

Leah Flores is the industry expert on the various MERS plans. She will provide the County with details about the high-quality, cost-effective solutions available to you and answer your technical questions during the initial plan implementation. Leah will act as an ongoing resource, reviewing your current and future program needs and analyzing plan design and providing strategy suggestions. Leah has 20 years of experience in the retirement industry. She joined MERS in 2017.

- MBA, Leadership & Finance – Northwood University
- BA, Leadership & Finance – Northwood University
- Life and Health Insurance Licenses
- Registered Investment Advisor



Jamie LaFavor
Benefit Plan Coordinator
jlafavor@mersofmich.com

Jamie LaFavor is a resource for employer questions and provides administration and coordination of all internal service and sales activities. She works closely with vendors, internal staff and municipalities. Jamie has over nine years of experience in the financial industry. She joined MERS in 2015.

- MBA, Strategic Management – Davenport University
- BA, Human Resource Management – Davenport University

e. Describe your firm’s experience with governmental retirement plans and OPEB.

MERS is an independent, professional retirement services company that has administered retirement plans for Michigan municipalities on a not-for-profit basis for more than 70 years. Our staff of experienced professionals focus exclusively on serving the needs of public sector plans.



MERS has been helping local units of government fund their employee benefit plans for more than 70 years

MERS currently administers more than 3,300 plans for over 900 municipal systems throughout the state. Our retirement plans include Defined Benefit, Defined Contribution, and Hybrid. We also offer an Investment Services Program, 457 Supplemental Retirement Savings Program, Roth and traditional Individual Retirement Accounts, and Group Life and Disability Insurance.

In 2004, MERS created a Section 115 Governmental Integral Part Trust with a Private Letter Ruling from the IRS. From this trust we created two programs that can be used together or independently; the HCSP and the RHFV. Today, over 350 municipalities use these programs to manage their OPEB unfunded liabilities by using one or a combination of both to fund, reduce and eliminate their OPEB liabilities.

f. Will you use subcontractors for the servicing of this plan? If yes, describe your relationship with the subcontractor, the subcontractor’s history and experience in providing similar fund services and the experience of the subcontractor’s employees that will provide services to the plan.

MERS has contracted with the recordkeeping division of Alerus Retirement and Benefits (Alerus) to provide recordkeeping services for the program, including reporting, hosting the website, and providing complete operations support.

Alerus is an independent, multibillion-dollar financial services company; it is one of the largest and oldest independent financial services organizations in the upper Midwest. With roots tracing back to 1879, Alerus has been serving in the best interest of individuals, families and businesses since being re-established in 1933.

g. Describe your Institution’s background providing trustee and investment management services.

MERS is one of the largest, most established, and most successful shared services stories in Michigan, providing administration, recordkeeping, trustee services, investment expertise, fiduciary responsibility, and oversight for retirement and OPEB plans. This allows local governments to focus on core services, leaving day-to-day administration to us.

Our comprehensive services include:

Plan governance – We actively monitor IRS changes to maintain the compliance of the Section 115 Trust.

Full plan administration – This includes annual audits, investment management, due diligence, fiduciary responsibility and reporting.

Portfolio management – The MERS Office of Investments is dedicated to providing our member municipalities with excellent returns at affordable costs, while protecting the assets of our members.

Legal counsel – Our in-house legal staff actively monitors state and federal laws, ensuring that our plans are in compliance.

On-staff auditor – Our internal auditor is independent and reports only to the MERS Retirement Board.

h. Please provide any other information that may distinguish you from other potential suitors.

One of the greatest benefits of MERS is our ability to pool assets for investment purposes. MERS does not individually price each employer’s plan based on the number of its participants or total assets. Rather, our members benefit from the economies of scale and low administrative costs that come with being part of a large pool of assets. This creates tremendous buying power, reducing costs and providing greater access to institutional investment managers for all MERS customers.



MERS’ ability to pool assets creates tremendous buying power, providing employers with lower costs and greater access to investment options

3) Qualification and Experience of Investment Team

a. Identify and provide the abbreviated resume of the account executive who will be assigned to coordinate your Institution’s services to the County.

Rather than assigning individual investment account executives, the MERS Office of Investments operates as a team. Each team member is not only a generalist with knowledge of all portfolio asset classes, but brings additional focused expertise to certain investment specialties within the MERS portfolio.

b. Identify the members of your service team, including an abbreviated bio, and the role they will play in managing the County's account.

MERS relies on a professional investment team comprised of the following members:



Jeb Burns
Chief Investment Officer

Jeb Burns directs the \$11 billion investment program at MERS, leading a 10-member team of investment professionals, setting investment strategy and implementing all investment programs.

A member of the senior management team, Jeb provides strategic leadership and guidance on business strategy, public policy, organizational development, and new business initiatives. He serves as a member of the Investment Committee, chairs the Risk and Compliance Committee, and represents the fund's global interests by serving on advisory committees for its numerous holdings.

Prior to joining MERS in 2002, Jeb held positions in public policy, communications, budget, and legislative affairs at the State of Michigan. He served as a financial advisor with Prudential Securities before entering public service.

- MPA, Public Policy – Wayne State University
- BA, History – Western Michigan University
- Leadership Development Certificate – University of Michigan Ross School of Business
- Advanced Professional Director Certification – American College of Corporate Directors



Michael Charette, CFA
Managing Director of Investments

Mike Charette is an integral member of the investment team and is responsible for the fund's global equity and fixed income investments. Mike directs the execution of MERS' internally managed strategies, which account for 25% of total portfolio assets. In addition to managing an on-site team of four investment professionals, Mike supervises MERS' relationship with external investment managers, conducting ongoing reviews of existing relationships and evaluating new opportunities. Mike is also responsible for MERS' participant directed account investment menus and plays an integral role in determining the number and types of investment options offered, along with the ongoing due diligence, monitoring and selection.

Prior to joining MERS in 2002, Mike worked as an analyst with Kennedy Capital Advisors, an institutional investment consulting firm in Atlanta, GA.

- MBA – University of Michigan, Ross School of Business
- BS, Accounting and Finance – Georgia Tech



Edward J. Mikolay
Director of Private Markets

Ed Mikolay is responsible for asset management and new investment origination of the private investment portfolio, including private equity, real estate, real assets and diversifying strategies. Ed is also a voting member of the Portfolio Review Committee, which is responsible for all portfolio management decisions of the pension fund, including implementation of the asset allocation and external manager selection and monitoring.

Ed has been active in the investment industry for more than 20 years. Prior to joining MERS in 2013, Ed was an Assistant Administrator at the State of Michigan Retirement Systems (SMRS) in its Real Estate and Infrastructure Division. At SMRS, Ed was involved in a variety of portfolio management roles, including sourcing and underwriting new investments, overseeing dispositions and representing SMRS in strategic partnerships. He has also held investment roles at CB Richard Ellis, Heitman LLC and Equity Residential Properties Trust (NYSE: EQR).

- MBA, Finance/Entrepreneurship/Real Estate – Northwestern University, Kellogg Graduate School of Management
- BA, Mathematical Economics – Brown University



Michael Schrauben, CFA
Director of Asset Allocation

Michael Schrauben brings valuable global macroeconomic insight to the group, which facilitates strategic decision making and portfolio asset allocation. Michael co-manages the Fund's internal equity program and also oversees the Fund's Diversifying Strategies portfolio, which targets uncorrelated alternative investment strategies to reduce portfolio beta and drawdown. He manages the Asset Allocation Team, which monitors the Fund's asset allocation and risk and provides allocation recommendations to the Portfolio Review Committee. He is a voting member on the Portfolio Review Committee, which is responsible for all portfolio management decisions including external asset manager selection and monitoring. Michael joined MERS in 2008.

- BA, Finance – Michigan State University, Eli Broad College of Business
- Michigan State University Financial Markets Institute
- Michigan State University Honors College
- Chartered Financial Analyst (CFA) Charterholder



Peter Wujkowski
Investment & Administrative
Officer

Peter Wujkowski oversees operations and compliance for the Office of Investments. Peter is the liaison with MERS' custodial bank, monitoring trades, compliance issues and overseeing money flows between the custodial bank and investment managers. Peter is a member the Client Advisory Board for the custodial bank and a voting member on the Portfolio Review Committee, which is responsible for all portfolio management decisions.

Peter joined MERS in 2011 and brought more than 20 years of valuable commercial banking and treasury management insights to the group. Peter has held positions at Michigan National (now Bank of America), KeyBank, Fifth Third Bank, Citizens (now Huntington Bank) and JPMorgan Chase, where he worked with large public sector and commercial clients.

- MBA, Finance – Saginaw Valley State University
- BA, Advertising – Michigan State University College of Communications



Julian Ramirez, CFA
Investment Officer and
Portfolio Manager

Julian Ramirez is responsible for the management of the Fund's internal equity program, which includes three equity index strategies and four active equity strategies. He is a voting member on the Portfolio Review Committee, which is responsible for all portfolio management decisions. As a member of the Asset Allocation team, Julian is responsible for developing asset allocation recommendations, implementation and risk management for the Fund. Julian also assists the team with external asset manager selection and monitoring, as well as analysis of potential investment opportunities. Julian joined MERS in 2011.

- BA, Economics – Michigan State University
 - Chartered Financial Analyst (CFA) Charterholder
-



Paul Van Gilder, CFA
Investment Officer and
Portfolio Manager

Paul Van Gilder oversees the \$2.5 billion global fixed-income portfolio, including the \$1 billion internal actively-managed short-duration fixed-income strategy. Paul is member of the Internal Asset Management team, which is responsible for overseeing MERS' internally managed fixed income and equity portfolios, and the Asset Allocation Team, which is responsible for managing the Valuation Based Allocation program. Paul contributes to the asset allocation team with in-depth asset class valuation analysis and macroeconomic research. In addition, Paul participates in external asset manager selection and monitoring across the equity, fixed income and alternative portfolios. Paul works with MERS' Private Markets team on analysis of potential and existing direct investments and co-investments in the Real Assets and Private Equity portfolios. Paul is also a voting member of the Portfolio Review Committee.

Prior to joining MERS in 2012, Paul had previous experience on the foreign exchange trading desk at BMO Capital Markets in Chicago.

- BA, Finance – Michigan State University
- Michigan State University Financial Markets Institute
- Michigan State University Honors College
- Chartered Financial Analyst (CFA) Charterholder



Lauren Lindemulder
Investment Analyst

Lauren Lindemulder assists the Director of Private Markets and Portfolio Managers with management and oversight responsibilities for a \$2.5 billion global private investment portfolio. She is responsible for investment selection, monitoring current investments and portfolio construction for private equity, real estate, real assets and diversifying strategies.

Prior to joining MERS in 2018, Lauren was an Investment Analyst within Private Markets for the State of Michigan Retirement Systems (SMRS) in its Short-Term, Absolute & Real Return Division. At SMRS, she assisted with asset allocation, evaluating prospective investments and monitoring portfolios that focused on private credit, intangible assets, natural resources, energy and hedge funds. Lauren is pursuing the Chartered Alternative Investment Analyst (CAIA) designation.

- BA, Finance – Michigan State University
-



Furat Zomay
Investment Analyst

As an Investment Analyst, Furat Zomay provides essential support to senior members of the investment team. He assists the Investment & Administrative Officer with operations and compliance activities, conducts analytic research on MERS' internal fixed-income and equity portfolios on behalf of the Investment Officers and Portfolio Managers, and provides supplemental support to the Private Markets team.

Prior to joining MERS, Furat assisted the Corporate Bond and Private Equity teams at State Farm. Furat became a full-time investment team member in 2019 after completing his internship program at MERS.

- BA, Finance (Economics) – Michigan State University
- Chartered Financial Analyst (CFA) Level 1 Candidate

4) Trust Product and Services

a. Describe the scope of consulting services you can provide in designing the Fund and analyzing the County's options.

There is no need for the county to spend the time and effort required to design an irrevocable trust. The RHFV is an established Section 115 Governmental Integral Part Trust with a Private Letter Ruling from the IRS. By enrolling in the RHFV, the County will adopt a turnkey solution for prefunding OPEB liability. The RHFV is governed by a plan document, which outlines the administration, oversight and reporting of the trust. See *Attachment A – HCSP and RHFV Plan Document*.



The MERS Retiree Health Funding vehicle is a turnkey solution to prefunding OPEB liabilities, saving the County time and resources

b. Indicate if your Institution can provide the required annual actuarial services as required in GASB 74 & 75.

MERS does not provide actuarial services.

c. Explain how your services will meet the requirements of GASB 43 & 45.

MERS provides resources to support employers with current GASB reporting requirements. Many materials can be found on our website (www.mersofmich.com), including guides for implementation of standards, examples of required notes disclosures, and tools to assist with required calculations. These resources are updated on a quarterly basis to ensure employers have the most up-to-date information for any fiscal year-end.

d. Explain the legal basis for your trust and provide detail necessary to ensure compliance with the IRS.

The RHFV is an Internal Revenue Code Section 115 trust ("Trust") specifically approved by the IRS that may administer public employee health care funds in Michigan. The Municipal Employees' Retirement Act, PA 427 of 1984, authorizes MERS to establish the RHFV.

IRS issued MERS Private Letter Ruling 2003 – 136326, approving the Trust as tax-exempt under Section 115 of the Internal Revenue Code because all trust income is derived from the exercise of an essential governmental function as provided by Section 115(1), IRS Revenue Rulings 77-261 and 90-74, and other relevant guidance.

Michigan PA 149 of 1999, the Public Employee Health Care Fund Investment Act additionally authorized MERS to create a public employee health care fund, and permits its customers to join the MERS Trust to prefund OPEB obligations. That Act provides for the creation by a public corporation of a public employee health care fund, and its administration, investment, and management, in order to accumulate funds to provide for the funding of health benefits for retirees and beneficiaries. MERS' Trust Agreement, Plan Document and investment and other policies comply with PA 149. The MERS Board acts as an investment fiduciary with respect to the selection and management of the investment options offered to participating municipalities. All contributions to the Trust are used solely for the payment of benefits, expenses, and other charges properly allocable to the Trust and may not be used for the payment of benefits, expenses, or other charges properly allocable to non-Trust programs. Assets held in trust are legally protected from creditors and may only be used for OPEB. Our in-house legal department monitors state and federal rules and regulations to ensure that our plans and programs remain in compliance.

5) Trustee and Trust Administration Services

a. Explain the trust implementation services you will provide and prior experience in assisting with the development of a board of trustee structure, such as by-laws, fiduciary training, etc.

It is not necessary for the County to create a separate board of trustees to manage the assets, however, the County may designate one or more individuals to be responsible for investment elections. The MERS Retirement Board is the Board of Trustees for the RHFV. As an established trust with an experienced Board, utilizing the RHFV will save the County the significant time and expense required to establish, train and maintain a board. All matters concerning trust implementation and maintenance are handled exclusively by the MERS Retirement Board. Further, as the fiduciary, MERS retains the fiduciary duty to select and monitor investment options available, eliminating that responsibility for the County. The County, through its designee, will remain responsible for any elections made from those investment options.

b. Provide a list of trustee services you will provide after implementation of the trust, including ongoing governmental compliance.

With respect to ongoing trust services, see above. As a participating municipality in the RHFV, the County could be assured that all matters concerning trust implementation and maintenance are handled exclusively by the MERS Retirement Board, including fiduciary oversight, and legal and governmental compliance.

MERS has an in-house, full-time staff of lawyers and legal staff who are committed to monitoring relevant legal developments and maintaining legal compliance for all areas of MERS' operations, including the RHFV, under relevant state and federal laws and regulations.

c. Provide the County's options for withdraw schedules to pay ongoing OPEB expenses.

Funds may be withdrawn from the RHFV at any time and at any frequency, pursuant to procedures established by MERS. The County's designated contact(s) may submit a request for distribution via the MERS Employer Portal. Distributions will be processed through direct deposit within three to five business days.

6) Investment Services

a. Describe investment management services that you offer with respect to OPEB.

The MERS Retirement Board and Office of Investments select and monitor the investment choices that are available under the RHFV. This team performs the necessary research, due diligence and monitoring of the various managers of the funds, ensuring that quality options are available. They actively review the fund lineup, investment managers, and index funds available and make changes as needed, based on strict criteria set forth by the MERS Retirement Board in our comprehensive investment policy statements, which are attached hereto. See *Attachment B – Defined Benefit Investment Policy Statement* and *Attachment C – Investment Policy Statement: Participant Directed Accounts and Institutional Funds*.

The *MERS Defined Benefit Investment Policy* governs the investment oversight of the MERS Defined Benefit portfolio (Total Market Portfolio), including an investment policy statement, investment goals and objectives, asset allocation policy, portfolio rebalance policy, selection and monitoring of investment managers, risk management, shareholder activity, investment programs and investment processes and procedures. The *MERS Investment Policy Statement: Participant Directed Accounts and Institutional Funds* outlines and further details the oversight and responsibility of the MERS Retirement Board, Office of Investments and plan participants, including those in the RHFV.

The investment roles of the MERS Retirement Board, Investment Committee, Office of Investments and the County are summarized in the following table:

<p>MERS Retirement Board</p>	<ul style="list-style-type: none"> • Acts as investment fiduciary • Sets general investment policy, including the Investment Policy Statements, Investment Guidelines and Investment Options
<p>MERS Investment Committee</p>	<ul style="list-style-type: none"> • Serves as the Board's investment policy development arm • Monitors investment management activity and policy development recommendations developed by MERS Office of Investments • Approves recommendations to retain/remove investment managers
<p>MERS Office of Investments</p>	<ul style="list-style-type: none"> • Carries out all investment activity • Provides a quarterly report on activities and performance • Reports material changes with the investments to the Investment Committee and MERS Retirement Board • Manages Internal Fixed Income and Equity Management • Monitors external investment managers
<p>Gratiot County</p>	<ul style="list-style-type: none"> • Selects investment option(s) from MERS Investment Menu • Determines contribution amounts and submits funds to MERS • Determines distributions, retains documentation and submits requests to MERS

b. Describe the investment options available, including ranking them, in your terms, from aggressive to safest. Please provide past 1, 3, 5 and 10 year returns for these funds.

The RHFV features portfolios built by MERS, along with funds selected by MERS to build a portfolio designed to match your needs. The portfolios built by MERS feature a range of diversification strategies and are professionally managed by MERS. Each portfolio has a target allocation that is rebalanced quarterly. These options include access to the MERS Total Market Fund, which is our Defined Benefit Portfolio, along with other risk adjusted strategies to help you set the right mix depending on your plan's investment objectives. The funds available to design your own portfolio include several broad market index funds.

The following table ranks each of the investment options available under the RHFV from the most aggressive to most conservative. Returns are as of March 31, 2019, and are listed net of investment management expenses. Detailed descriptions, histories and objectives for each of the funds can be found on the attached Fund Summary sheets. *See Attachment D – Fund Summary Sheets.*

Investment Option	Investment Style	Inception Date	1 Year Return	3 Year Return	5 Year Return	10 Year Return	Fund Risk (5 Year Standard Deviation)
Small Cap Stock Index	US Stocks	12-01-13	1.38%	12.53%	8.35%	-	15.63%
Mid Cap Stock Index	US Stocks	07-01-04	2.81%	11.43%	8.37%	16.28%	13.26%
International Stock Index	Foreign Stocks	01-01-11	-3.92%	7.18%	2.03%	-	11.32%
Large Cap Stock Index Fund	US Stocks	03-01-03	9.65%	13.47%	10.75%	15.66%	11.18%
Emerging Market Stock	Foreign Stocks	04-01-13	-12.03%	9.15%	3.19%	-	11.17%
MERS Global Stock Portfolio (100% Stocks/0% Bonds)	Diversified Portfolio	05-01-13	1.70%	11.47%	7.17%	-	11.07%
MERS Capital Appreciation Portfolio (80% Stocks/20% Bonds)	Diversified Portfolio	03-01-11	2.18%	10.10%	6.56%	-	9.14%
MERS Established Market Portfolio (60% Stocks/40% Bonds)	Diversified Portfolio	10-01-75	1.07%	8.06%	5.64%	9.24%	7.06%
MERS Total Market Portfolio	Diversified Portfolio	12-01-97	2.81%	8.83%	5.86%	10.12%	5.12%
MERS Balanced Income Portfolio (40% Stocks/60% Bonds)	Diversified Portfolio	03-01-11	3.32%	6.79%	4.88%	-	5.06%
MERS Capital Preservation Portfolio (20% Stocks/80% Bonds)	Diversified Portfolio	03-01-11	4.26%	5.12%	4.18%	-	3.60%
MERS Diversified Bond Portfolio (0% Stocks/100% Bonds)	Diversified Portfolio	01-01-97	3.96%	2.90%	2.78%	4.98%	2.94%
Short-Term Income	Short Term Bond	01-01-87	2.61%	1.28%	0.97%	1.06%	0.55%

c. Describe any legal parameters that maybe associated with the investment in your programs.

In Michigan, the Public Employee Retirement System Investment Act (PERSIA), PA 314 of 1965, MCL 38.1132 et seq., authorizes and regulates the investment of assets of state and local government employee retirement systems. The Public Employee Health Care Fund Investment Act, PA 149 of 1999, requires health care funds to be invested pursuant to PERSIA. Under PERSIA's definition of "investment fiduciary," MERS and the municipalities in the RHFV share the duties imposed by PERSIA to invest the assets in those programs in accordance with PERSIA. MERS is responsible for the management of the investments that comprise the options from which the municipalities choose, and, to the extent the municipality takes advantage of selecting its investments from the MERS menu, the municipalities are responsible for choosing among those options in a way that complies with PERSIA's asset allocation restrictions imposed on public retirement and health care funds.

MERS makes detailed information available regarding the asset classes and percentages of each in the various investment options available for use, so that the County can make careful and informed decisions about options to select and allocations in those selections. *See Attachment D – Fund Summary Sheets.*

7) Fees

a. Provide your fees for the proposed services. Please itemize any startup costs, one time fees, deposit, withdraw, management, actuarial, etc.

MERS costs are assessed as a percentage of assets and are reported on a quarterly basis as the Total Annual Expense for each fund. The Total Annual Expense is computed by adding together the Investment Management Expense and the Administrative Fee.

- The **Investment Management Expense** are the costs incurred in the overall management of the fund. The Investment Management Expense varies based on the level of assets.
- The **Administrative Fee** comprises the costs to run the day-to-day operations of the plan, which include legal, accounting, auditing, compliance, printing and overhead costs, along with costs related to bookkeeping, settling trade activity, and holding assets in custody at a bank. This fee accrues during each month and is charged at the end of each month to the account based on the daily average balance.



There are no startup costs nor one-time fees associated with the MERS Retiree Health Funding Vehicle

The table on the following page shows the Total Annual Expense, as reported March 31, 2019, for each of the funds available under the RHFV.

Investment Option	Investment Style	Investment Management Expense ¹	Administrative Fee ²	Total Annual Expense
Small Cap Stock Index	US Stocks	0.05%	0.18%	0.23%
Mid Cap Stock Index	US Stocks	0.05%	0.18%	0.23%
International Stock Index	Foreign Stocks	0.08%	0.18%	0.26%
Large Cap Stock Index	US Stocks	0.05%	0.18%	0.23%
Emerging Market Stock	Foreign Stocks	0.29%	0.18%	0.47%
MERS Global Stock Portfolio (100% Stocks/0% Bonds)	Diversified Portfolio	0.31%	0.18%	0.49%
MERS Capital Appreciation Portfolio (80% Stocks/20% Bonds)	Diversified Portfolio	0.23%	0.18%	0.41%
MERS Established Market Portfolio (60% Stocks/40% Bonds)	Diversified Portfolio	0.24%	0.18%	0.42%
MERS Total Market Portfolio	Diversified Portfolio	0.24%	0.18%	0.42%
MERS Balanced Income Portfolio (40% Stocks/60% Bonds)	Diversified Portfolio	0.25%	0.18%	0.43%
MERS Capital Preservation Portfolio (20% Stocks/80% Bonds)	Diversified Portfolio	0.24%	0.18%	0.42%
MERS Diversified Bond Portfolio (0% Stocks/100% Bonds)	Diversified Portfolio	0.27%	0.18%	0.45%
Short-Term Income	Short Term Bond	0.05%	0.18%	0.23%

¹**Investment Management Expense:** This expense is charged by the investment manager(s) for the specified fund in order to invest the program's assets. This expense is calculated into the daily unit share pricing and reflected in the performance.

²**Administrative Fee:** This fee accrues during each month and is charged at the end of each month to the account based on the daily average balance. This fee is shown on your quarterly statement as a line-item charge under "Administrative Fee." This fee covers the custody, recordkeeping, and MERS operating costs for providing this program.

- b. Provide two sample annual management fee bills. The first showing how the County would be charged for management of a fully funded Fund during a year the Fund appreciates. The second showing how the County would be charged for management of a fully funded Fund during a year the Fund loses money on investments. Please make it as realistic as possible. See attachment 2: County Statistics, for information necessary to perform this.**

MERS does not charge an annual management fee. The only costs associated with RHFV are the Investment Management Expense and Administrative Fee, which together comprise the Total Annual Expense, as listed above. These expenses are assessed as a percentage of assets; and our fees do not adjust based on gains or losses. The Total Annual Expense is reported on quarterly statements. See *Attachment E – Sample Employer Statement*.

c. Describe any costs that would be charged to the County for changing from your Institution to another one.

MERS does not impose any surrender, withdrawal or deferred sales charges on assets moved out of the RHFV. However, MERS does assess a two percent (2%) fee on any amounts withdrawn/transferred out of the MERS Total Market Portfolio within 90 days of contribution, which may apply.

8) References

a. Please include at a minimum six references with emphasis on close proximity and recent similar projects.

Wayne County

RHFV Assets: \$28 Million

Effective 10/1/2015

Mathieu Dube

Deputy Chief Financial Officer

500 Griswold St.

Detroit, MI 48826

313-224-5219

mdube@waynecounty.com

Saginaw County Community Mental Health

RHFV Assets: \$20 Million

Effective 9/8/2008

Frederick Stahl

Director of Human Resources

500 Hancock St.

Saginaw, MI 48602

989-797-3498

fstahl@sccmha.org

Clinton County Road Commission

RHFV Assets: \$5 Million

Effective 1/1/2006

Jill Rey

Director of Finance

3536 S. BR 127

St. Johns, MI 48879

989-224-3274

reyj@ccrc-roads.com

Saginaw Charter Township

RHFV Assets: \$4.5 Million

Effective 8/13/2007

Michele Gadd

Director- Fiscal Services

4980 Shattuck Rd.

Saginaw, MI 48603

989-791-9821

rmgadd@saginawtownship.net

Shiawassee Health & Wellness

RHFV Assets: \$3.8 Million

Effective 12/20/2010

Kevin Hartley

Chief Financial Officer

1555 Industrial Dr.

Owosso, MI 48867

989-723-0869

khartley@shiabewell.org

Midland County Road Commission

RHFV Assets: \$3.5 Million

Effective 8/1/2009

Brenda Gordert

Clerk

2334 N Meridian Rd.

Sanford, MI 48657

989-687-9060

brenda@midlandroads.com



This publication contains a summary description of MERS benefits, policies or procedures. MERS has made every effort to ensure that the information provided is accurate and up to date as of the date of publication. If this publication conflicts with the relevant provisions of the Plan Document, the Plan Document Controls. MERS, as a governmental plan, is exempted by state and federal law from registration with the SEC. However, it employs registered investment advisors to manage the trust fund in compliance with Michigan Public Employee Retirement System Investment Act. Past Performance is not a guarantee of future returns. Please make independent investment decisions carefully and seek the assistance of independent experts when appropriate.

The Funds are subject to investment risks from a number of sources, including the management style of the Fund and market volatility. Markets are volatile and can rise or decline significantly in response to company, political, regulatory, market or economic developments. The Funds total return, like securities prices generally, will fluctuate within a wide range. As a result, an investor could lose money over short or even long periods. The Funds are also subject to investment-related risk, which is the chance that returns from companies invested in by the Fund will trail returns from other asset classes or the overall market.

Municipal Employees' Retirement System of Michigan

1134 Municipal Way • Lansing, MI 48917

800.767.MERS (6377) • www.mersofmich.com



HCSP and RHFV Plan Document

Restated MERS Plan Document
For Health Care Savings Program and Retiree Health Funding Vehicle



1134 Municipal Way Lansing, MI 48917 | 517.703.9030

www.mersofmich.com

HCSP and RHFV Plan Document

Effective: May 14, 2003
Restated: December 31, 2005
As Amended: February 28, 2019

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RESTATED MERS HEALTH CARE SAVINGS PROGRAM and RETIREE HEALTH FUNDING VEHICLE PLAN DOCUMENT

("HCSP and RHFV Plan Document")

ARTICLE I - INTRODUCTION

Section 1. Overview

The Municipal Employees Retirement Act of 1984, 1984 PA 427, section 36, MCL 38.1536(2)(a); Plan Document Section 36(2)(a) confers authority on the Municipal Employees' Retirement System of Michigan ("MERS") Board ("Board") beginning August 15, 1996 ("the certification date"), to establish additional programs including but not limited to defined benefit and defined contribution programs. In accordance with such authorization, the Board has approved MERS' establishment of a Trust, which consists of two programs: the Health Care Savings Program ("HCSP"), and the Retiree Health Funding Vehicle ("RHFV"). Any eligible public employer in Michigan that is a "municipality" under MCL 38.1502b(2) and MERS Plan Document Section 2B(4), may adopt the programs for their employees. MERS is authorized to make available one or more governmental trusts for these purposes:

- 1) The Health Care Savings Program is an employer-sponsored program that allows employers and employees to save assets for the use of post-employment medical expenses; and
- 2) The Retiree Health Funding Vehicle is an employer trust that allows employers to advance fund their retiree health care liability.

This HCSP and RHFV Plan Document, and the related Program Resolution and Agreements, may only be used by an entity that meets the MERS definition of "municipality."

Section 2. Definitions

- 2.1 **"Accounts"** means a Participant's HCSP Non-Vested Accounts and HCSP Vested Accounts.
- 2.2 **"Applicable Form"** means the appropriate form as designated and furnished by the Program Administrator to make an election or provide a notice as required by the Program.
- 2.3 **"Board"** refers to the Retirement Board of MERS.
- 2.4 **"Code"** means the Internal Revenue Code of 1986, as amended.
- 2.5 **"Covered Division"** means the employee classifications or divisions designated in the HCSP Participation Agreement.
- 2.6 **"Dependent"** means the spouse of a Participant or any person who may be claimed as a dependent of the Participant, as defined in Section 105(b) of the Code.
- 2.7 **"Eligible Employee"** means an Employee who under the HCSP Participation Agreement is eligible to participate in the HCSP.
- 2.8 **"Eligible Former Employee"** means a former Employee who under the HCSP Participation Agreement is eligible to participate in HCSP.
- 2.9 **"Eligible Employer"** means any public employer in Michigan that is a "municipality" under MCL 38.1502b(2) or a "judicial circuit court," "judicial district court" or judicial probate court" under MCL 38.1502a(4), (5) and (6), including but not limited to MERS Participating Municipalities and Courts.
- 2.10 **"Eligible Retiree"** means a former Employee who has a Separation from Service from a Participating Employer and who meets the criteria for coverage under a health insurance

- program established by a Participating Employer who participates in the RHFV.
- 2.11 **“Employee”** means any common law employee of an Eligible Employer and may include elected and appointed officials. However, the term does not include independent contractors.
- 2.12 **“Employee Contributions”** is defined in Article II Section 3.2 and refer only to Employee Contributions to the HCSP Vested Accounts.
- 2.13 **“Employer Contributions”** is defined in Article II Section 3.2. Employer Contributions include contributions to the HCSP and/or to the RHFV.
- 2.14 **“Governing Body”** means the representative legislative body of a municipality, the administrative board or commission of a public corporation or instrumentality that does not have a representative legislative body, or the chief judge of a judicial court, a judicial district court, or a judicial probate court as provided in the revised judicature act of 1961, 1961 PA 236, MCL 600.101 to 600.9948, as applicable.
- 2.15 **“Health Care Savings Program (HCSP)”** means an employer-sponsored program administered by MERS that allows employers and employees to save money to pay post-employment Medical Expenses, and the Medical Expenses of Dependents, following the Eligible Employees’ Separation from Service. The program consists of both Vested and Non-Vested individual employee accounts.
- 2.16 **“HCSP Non-Vested Accounts”** means the forfeitable non-vested account maintained for each Participant. The HCSP Non-Vested Accounts is a sub-trust of the Trust Fund.
- 2.17 **“HCSP Participation Agreement”** means the document in which the Participating Employer identifies the covered employee groups and contribution structure into the HCSP.
- 2.18 **“HCSP Vested Accounts”** means the non-forfeitable vested account maintained for each Participant. The HCSP Vested Accounts is a sub-trust of the Trust Fund.
- 2.19 **“Investment Fund”** means an investment fund that forms part of the Trust Funds established by the Board.
- 2.20 **“Investment Manager”** means an investment manager selected by the Board.
- 2.21 **“Medical Expenses”** are defined by the Code Section 213 and excludable from income under Code Sections 105 and 106, as amended from time to time. An expense shall only be a "Medical Expense" to the extent that the Participant or other person incurring the expense is not reimbursed for the expense through Social Security, Medicaid, Medicare, or any other medical and health insurance contracts held by the Participants, their Dependents, or the Participating Employers (other than the HCSP), and only to the extent that the Participant or his or her Dependents are legally obligated to pay for the expense.
- 2.22 **“MERS”** means the Municipal Employees’ Retirement System of Michigan.
- 2.23 **“MERS Participating Municipalities and Courts”** refers to those municipalities and courts that participate in the MERS retirement plan.
- 2.24 **“MERS Plan Document”** refers to the Michigan Employees’ Retirement System Plan Document of 1996, as amended.
- 2.25 **“Participant”** means: (i) an Eligible Employee or Eligible Former Employee who participates under the HCSP by enrolling and maintaining an account balance; or (ii) after death of an Eligible Employee or Eligible Former Employee, his/her Dependents are considered Participants for purposes of the Program.
- 2.26 **“Participating Employer”** means any Eligible Employer who elects to participate in any of Programs.

- 2.27 **“Plan Sponsor”** means the participating employer, except that, for purposes of Code Section 4376, “Plan Sponsor” means the Board, and for purposes of Article IV, Sections 1.15 – 1.19, Plan Sponsor means the Board through its agents.
- 2.28 **“Plan Year”** means the plan year of the program, which is the calendar year.
- 2.29 **“Program”** or **“Programs”** refers to the RHFV and/or the HCSP set forth in the Trust Plan Document, along with the provisions set forth in the Program Resolutions and Agreements of any Participating Employer, and any amendments to these documents.
- 2.30 **“Program Administrator”** means MERS or any third party administrator with which MERS contracts to perform some or all its functions as Program Administrator.
- 2.31 **“Program Resolutions and Agreements”** means either the (i) HCSP Uniform Resolution and Participation Agreement adopting the HCSP or (ii) the RHFV Uniform Resolution adopting the RHFV.
- 2.32 **“Property”** refers to any property, real or personal, or part interest therein, wherever situated, including, but without being limited to, preferred and common stocks, shares of investment companies, bonds, notes, debentures and mortgages, equipment trust certificates, investment trust certificates, interest in partnerships whether limited or general or in any insurance contract, policy, annuity, or other investment media offered by an insurance company, in which trust assets may be invested pursuant to the Public Employee Retirement System Investment Act.
- 2.33 **“Retiree Health Funding Vehicle (RHFV)”** means an employer savings trust that allows employers to advance fund their retiree health care liability.
- 2.34 **“RHFV Program Account”** means the account maintained for each Participating Employer who elects to establish the RHFV. The RHFV is a sub-trust of the Trust Fund.
- 2.35 **“Rule”** as applied to action of the Retirement Board means any Regulation, Policy, Statement, or other official action approved by at least 5 concurring votes, as provided by MCL 38.1536(6); MERS Plan Document Section 36(6).
- 2.36 **“State”** refers to the State of Michigan.
- 2.37 **“Separation from Service”** means a Participant’s separation from employment with the Participating Employer for any reason, including retirement, within the meaning of Code Section 402(e)(4)(D)(i)(III). A Participant shall be deemed to have separated employment with the Participating Employer for purposes of the Program when, in accordance with the established personnel practices of the Participating Employer, the employment relationship is considered actually terminated. If a Participant has not been terminated, but the Participant has not performed services for the Participating Employer for a period of twelve (12) consecutive months and the Participant is not on a paid leave of absence, the Participant shall be deemed Separated from Service for purposes of this Program at the end of the twelve (12) month period.
- 2.38 **“System,”** as used in Article IV, Sections 1.15 – 1.19, means employees and agents of MERS, to whom are delegated, directly or through others, the day to day operations of the Plan.
- 2.39 **“Trust”** or **“Trust Agreement”** means the trust established pursuant under the Restated MERS Trust Agreement for Health Care Savings Program and Retiree Health Funding Vehicle, which constitutes a valid trust under Michigan law.
- 2.40 **“Trust Fund”** means all such money, Property, and all investments made therewith and proceeds thereof and all earnings and profits thereon, less payment made by the Board as authorized herein.
- 2.41 **“Trust Year”** means the calendar year, on which the books and records of the Trust are maintained.

Section 3. Administration of the Trust

3.1 **Compliance with Code and Governing Law**

At all times, the Program shall be administered in accordance with and construed to be consistent with applicable provisions of the Code and its accompanying regulations, federal and state law, and the MERS Plan Document.

3.2 **Duties and Powers of the Board**

The Board has such duties and powers as are prescribed by: federal and state law; the Program, vesting in the Board the sole power and authority to amend the MERS Plan Document; the HCSP and RHFV Plan Document; and the form of the related Program Resolution and Agreements. The Board has the sole power to select and remove the Program Administrator, the custodian for the Programs, and any third party administrator, and prescribe their duties and powers.

3.3 **Duties and Powers of the Program Administrator**

The Program Administrator shall have the authority to control and manage the operation and administration of the Program. The Program Administrator shall have such power and authority (including discretion with respect to the exercise of that power and authority) as may be necessary, advisable, desirable or convenient to enable the Program Administrator to carry out its duties under the Program. By way of illustration and not limitation, the Program Administrator is empowered and authorized:

- (a) To establish procedures with respect to administration of the Program, not inconsistent with the Program and the Code, and to amend or rescind such procedures;
- (b) To determine, consistent with the Program, applicable law, rules or regulations, all questions of law or fact that may arise as to the eligibility for participation in the Program and eligibility for distribution of benefits from the Program, and the status of any person claiming benefits under the Program, including without limitation Participants, former Participants, Dependents, former Dependents, Eligible Employees and Eligible Former Employees;
- (c) Pursuant to the HCSP and RHFV Plan Document, to make payments from the Trust Fund;
- (d) To employ one or more persons to render advice with regard to its responsibilities under the Program;
- (e) Subject to and consistent with the Code, to construe and interpret the Program as to administrative issues and to correct any defect, supply any omission or reconcile any inconsistency in the Program with respect to same.

Any action by the Program Administrator, which is not found to be an abuse of discretion, shall be final, conclusive and binding on all individuals affected thereby. The Program Administrator may take any such action in such manner and to such extent as the Program Administrator in its sole discretion may deem expedient, and the Program Administrator shall be the sole and final judge of such expediency.

3.4 **Delegation by Program Administrator**

In addition to the powers stated in Article I Section 3.3, the Program Administrator may delegate to an individual, committee or organization certain of its fiduciary or other responsibilities under the Program. Any such individual, committee or organization shall remain a fiduciary until the delegation of fiduciary duty is revoked by the Program Administrator, which revocation may be without cause and without advance notice. Such individual, committee or organization shall have power and authority with respect to such delegated fiduciary or other responsibilities as the Program Administrator has under the Program.

3.5 Group Trust

To the extent permitted by law, the Board may commingle the investment of the Trust Fund with other funds that it administers. To the extent that the Board invests any money or assets of the Trust in a group trust as authorized by MCL 38.1140c, said group trust must:

- (i) expressly prohibit any part of the MERS' corpus or income from being used for, or diverted to, any purpose other than for the exclusive benefit of the members and beneficiaries of the System,
- (ii) be operated or maintained exclusively for the comingling and collective investment of funds from other trusts that it holds,
- (iii) be intended to qualify as a group trust under Internal Revenue Code Sections 401(a) and 501(a), and
- (iv) satisfy the requirements of Internal Revenue Code Section 401(a)(24) and the requirements for a group trust as established by Revenue Ruling 81-100, 1981-1 C.B. 326, as amended by Revenue Ruling 2004-67, 2004-2 C.B. 28, and as modified by Revenue Ruling 2011-1, 2011-2 I.R.B. 251.

In this regard, the Board will only invest in group trusts that also are maintained to reflect the interest(s) of each participating retiree benefit plan, including separate accounting for contributions to the group trust by each such plan, disbursements made from each such plan's account, and the investment experience of the group trust as allocable to that account. To the extent necessary, the Board is authorized to adopt the terms of the group trust as additional terms of this Trust.

Section 4. Amendment of the Program

4.1 Amendment of Program Document and the Participation Agreement

Subject to the provisions of any applicable law, the Board may at any time amend or modify this HCSP and RHFV Plan Document without the consent of the Participating Employers or of the Participants. Any modification, alteration, or amendment of the HCSP and RHFV Plan Document, made in accordance with this section, may be made retroactively, if deemed necessary or appropriate by the Board.

A certified copy of the resolution of the Board making such amendment shall be delivered to the Program Administrator, and the HCSP and RHFV Plan Document shall be amended in the manner and effective as of the date set forth in such resolution, and the Participating Employers, Eligible Employees, Eligible Former Employees, Participants, Dependents, and Program Administrator shall be bound by the amendment. A Participating Employer may not amend the HCSP and RHFV Plan Document in any way.

Subject to provisions of applicable law, the Board may at any time amend or modify the form of the Program Resolution and Agreements with the consent of the Participating Employer(s) who may be affected by any change.

4.2 Amendment for Qualification of Program

It is the intent of the Board that the Program shall be and remain a medical expense plan for tax purposes under Code Section 105(b) and other applicable Code provisions. The Board shall promptly submit the Programs to the Internal Revenue Service for appropriate rulings under the Code and all expenses incident thereto shall be borne by the Trust. The Board may make any modifications, alterations, or amendments to the HCSP and RHFV Plan Document, the Trust, and the Program Resolutions and Agreements necessary to obtain and retain approval of the Secretary of the Treasury or his delegate as may be necessary to establish and maintain the status of the Programs under the provisions of the Code or other federal

legislation, as now in effect or hereafter enacted, and the regulations issued thereunder.

Any modification, alteration, or amendment of the HCSP and RHFV Plan Document, the Trust, and the Program Resolutions and Agreements, made in accordance with this Section, may be made retroactively, if necessary or appropriate. A certified copy of the resolution of the Board making such amendment shall be delivered to the Program Administrator. The HCSP and RHFV Plan Document, the Trust, and the Program Resolution and Agreements shall be amended in the manner and effective as of the date set forth in such resolution, and the Participating Employers, Eligible Employees, Eligible Former Employees, Participants, Dependents, Program Administrator, and all others having any interest under the Program shall be bound thereby.

4.3 **Amendment of Participation Agreement by Participating Employer**

The Governing Body shall have the right at any time to amend, in whole or in part, any or all of its elections under the Program Resolution and Agreements. However, no such amendment shall:

- (a) Deprive any Participant or their Dependent of any of the benefits to which the Participant or their Dependent is entitled under this Program with respect to amounts credited prior to the effective date of the amendment; or
- (b) Authorize or permit any part of the Trust Fund to be diverted to purposes other than for the exclusive benefit of Participants or their Dependents; or
- (c) Become effective until approved by the Board. In order to be approved by the Board, any amendment must comply with the HCSP and RHFV Plan Document, the MERS Plan Document, and all applicable state and federal laws, including the Code as applicable to governmental trusts. If the Board does not approve an amendment, the Program Administrator shall continue to administer the Program as if such amendment had not been made.

A Participating Employer must notify the Program Administrator of any proposed change to the Participation Agreement at least forty-five (45) days prior to the proposed effective date of the change.

Section 5. Confidentiality

5.1 **Open Records**

The records of the Program Administrator shall be open to public inspection and copying under the Freedom of Information Act, except for the following, which shall be excluded to the fullest extent of the law, except with the written authorization of the individual concerned:

- (a) The individual's statement of previous service and other information that must or may be kept confidential under Michigan or federal law;
- (b) The amount of a benefit paid from the Trust to the individual for Medical Expenses;
- (c) The individual's personal history record, which means information maintained by the Program Administrator on an individual who is a Participant, former Participant, or Dependent that includes the address, telephone number, social security number, record of contributions, correspondence with the Program Administrator, or other information the Program Administrator determines to be confidential.

5.2 **Privileged Records**

All medical reports and recommendations required by this Program are privileged, except that copies of such medical reports or recommendations shall be made available to the personal physician, attorney, or authorized agent of the individual concerned upon written release from the individual or the individual's agent, or when necessary for the proper administration of the Program, to the physician or medical personnel assigned by the Program Administrator.

Section 6. Nonassignability

6.1 **Rights**

The rights of Participants or their Dependents under this Program shall not be subject to the rights of their creditors, and shall be exempt from execution, attachment, prior assignment or any other judicial relief or order for the benefit of creditors or other third person, as further provided in Section 53 of the MERS Plan Document.

ARTICLE II - HEALTH CARE SAVINGS PROGRAM ("HCSP")

Section 1. HCSP Participation by Eligible Employers

1.1 **Adoption by Eligible Employer.** MERS shall determine whether the Eligible Employer complies with this section. The Board and MERS may request any additional information it considers necessary or appropriate if the Eligible Employer meets all conditions established by the Board and if all requirements of the Program and Trust are met, MERS shall execute the HCSP Uniform Resolution and Participation Agreement. Any Eligible Employer may make the HCSP available to its Eligible Employees and Eligible Former Employees if it takes the following actions:

- (a) For an Eligible employer that is a municipality:
 - The Governing Body of the Eligible Employer must approve the HCSP Uniform Resolution and Participation Agreement formally adopting the HCSP for its Eligible Employees and/or its Eligible Former Employees.
 - The resolution must be completed in its entirety, including the date of adoption. The resolution must specify that the Eligible Employer shall abide by the terms of the Program and the Trust, including all investment, administrative, and service agreements of the Program, and all applicable provisions of the Code and other applicable law.
- (b) For an Eligible employer that is a court:
 - The court's chief judge must issue an administrative order approving the participation of the court's Eligible Employees and/or its Eligible Former Employees, which order is concurred in by resolution of the governing bodies of the municipalities that are required by law to fund the circuit, district, or probate court, or by resolution of the joint board or commission of the municipalities that are required by law to fund the relevant court if those municipalities have entered into a contract to transfer functions and responsibilities pursuant to MCL 124.531 to 124.536.
 - The chief judge must complete, approve and execute the HCSP Uniform Resolution and Participation Agreement, and certify to MERS, in the manner and form prescribed by MERS, the election of the court to participate in the HCSP. The certification shall be made within 10 days after the date of concurrence of the governing bodies of the municipalities that are required by law to fund the court or the joint board or commission of the municipalities that are required by law to fund the court.

Section 2. Eligible Employee and Eligible Former Employee Participation

2.1 **Participation Procedure for the HCSP.** The Participation Agreement shall define who may be Participants in a HCSP. The Program Administrator shall prescribe the Applicable Form for Eligible Employees and/or Eligible Former Employees to become Participants in

the Program, and default election shall be required.

- 2.2 **Cessation of Participation in HCSP.** A Participant or a Dependent shall cease to be a Participant in the HCSP on the distribution and/or forfeiture of the Participant's entire interest in the Program.

Section 3. HCSP Contributions

3.1 HCSP Contributions

Employer Contributions shall and Employee Contributions may be made to the Program in accordance with this Article and the HCSP Participation Agreement. Contributions shall be made in accordance with the formula and method specified by the Participating Employer in the Participation Agreement. It is the Participating Employer's responsibility to correctly calculate and remit the appropriate Employer and Employee Contributions.

The Participation Agreement establishing the amount and method of calculating Contributions continues in effect from Plan Year to Plan Year until amended or repealed by the Governing Body or until the Participating Employer's participation in the Program is terminated.

3.2 Types of HCSP Contributions

Contributions may be derived from one or more of the following sources, as determined by the Participation Agreement.

- (a) **Basic Employer Contributions:** Contributions may be made to the HCSP Vested or Non-Vested Accounts in addition to the salary and other benefits provided to Eligible Employees. Basic Employer Contributions may be made to the HCSP Vested Accounts for Eligible Former Employees.
- (b) **Mandatory Salary Reduction Contributions:** In HCSP Vested Accounts only, the Participating Employer may mandate that Eligible Employees' salaries be reduced to offset the contributions. These contributions shall not be made to HCSP Non-Vested Accounts.
- (c) **Leave Conversion Contributions:** In HCSP Vested Accounts only, the Participating Employer may mandate that all or a portion of unused leave (including, but not limited to, annual leave, personal time, sick leave) and severance pay shall be paid to the Trust Fund and that pre-retirement leave balances shall be converted to a cash contribution on an annual basis or upon end of service for Eligible Employees. These contributions shall not be made to the HCSP Non-Vested Accounts. Leave Conversion Contributions may only be made in the form approved by the Board, unless the Employer secures a favorable letter ruling from the Internal Revenue Service.
- (d) **Voluntary Employee Contributions.** Post-tax Voluntary Employee Contributions may be made to the HCSP Vested Accounts by Eligible Employees if permitted by the Participation Agreement. Post-tax Employee Contributions shall not be made to the HCSP Non- Vested Accounts. Contributions are not permitted by Eligible Former Employees.

3.3 Changes in Contributions for the HCSP

A Participating Employer may adjust the amount or method of Contributions throughout the Plan Year by adopting a resolution to amend its Participation Agreement. The resolution must be sent to the Program Administrator. MERS must approve or disapprove the amendment and, if approved, establish the effective date of any change to the Contributions.

3.4 Delinquent Contributions

It is the Participating Employer's responsibility to correctly calculate and remit the appropriate Contributions. The Program Administrator reserves the right to give notice to the highest

elected official, the designated representative of the Eligible Employer and/or the Eligible Employees and Eligible Former Employees of any delinquency in the event it comes to the Program Administrator's attention that Contributions are not being remitted in a timely manner. The Program Administrator may, with the approval of the Board, establish enforcement procedures for prompt reporting and payment.

Neither MERS nor the Board has any liability for the delinquency of a Participating Employer. MERS liability is limited to the contributions made to the Trust. MERS does not have any additional liability with respect to any obligation to fund the Trust to any Eligible Employee, Eligible Former Employee, Participant, former Participant, Dependent, or any of their respective heirs, assigns or other representatives.

Section 4. HCSP Accounts

4.1 **Separate Accounts.** The Program Administrator shall maintain separate accounts, if applicable, with respect to each Participant and each Employer:

- (a) HCSP Non-Vested Account – Employer Contributions for Eligible Employees only;
- (b) HCSP Vested Account – Employer Contributions for Eligible Employees and Eligible Former Employees;
- (c) HCSP Vested Account – Eligible Employee Contributions.

The balance of the Participant's HCSP Vested and Non-Vested Accounts shall be adjusted periodically to reflect any distribution to the Participant and all interest, dividends, account charges and changes of market value, positive or negative, resulting from the investment of the Participant's HCSP Accounts.

4.2 **Valuation**

The Program Administrator shall mark to market the investments in the Programs at least quarterly.

4.3 **Deposits**

In all cases, deposits of contributions shall be treated as actually made only as of the date the funds are accepted as in good order by the Program Administrator.

The Program Administrator may prescribe such minimum deposits to Participant's HCSP Program Accounts.

Section 5. HCSP Reports

5.1 **HCSP Participant Account Statements**

A written report of the status of each Participant's HCSP Vested and Non-Vested Accounts shall be furnished to the Participant by the Program Administrator within a reasonable time after the quarter ends, in accordance with standard industry practices. All reports to Participants shall be based on the fair market value of investments credited to their HCSP Accounts as of the quarter-end. Participant reports shall be deemed to have been accepted by the Participant as correct unless written notice to the contrary is received by the Program Administrator within ninety (90) days after the mailing or distribution of a report to the Participant.

5.2 **Employer HCSP Contributions Report**

The Program Administrator shall provide a report for each Participating Employer of the aggregate Employer Contributions and any Employee Contributions made by the Participating Employer semi-annually.

5.3 **Report from Program Administrator to Board**

The Program Administrator shall provide a report to the Board concerning the valuation of HCSP Accounts within the period established by agreement.

5.4 **Year-End Reports**

Within one-hundred eighty days (180) days after the end of each Plan Year, a written report shall be prepared and maintained on file by the Program Administrator showing the assets held under the Programs, a schedule of all receipts and disbursements, and all material transactions of the Programs during the preceding year. This report shall be in a form and shall contain other information as the Program Administrator requires. The report shall also contain such information as is necessary to enable the Board to prepare its accounting due under the Trust. This report may be included as part of the MERS Comprehensive Annual Financial Report.

Section 6. Investment of HCSP Accounts

6.1 **Investment**

The investment of HCSP Vested and Non-Vested Accounts is governed by the Trust Agreement creating the Trust. See Trust Agreement, Section 2.3.

Section 7. Medical Expenses

7.1 **Medical Expense Payments**

Medical Expense Payments under the HCSP shall be paid from the Trust Fund in accordance with this Section. A Participant's HCSP Vested Account balance may be used for the purpose of reimbursing post-employment Medical Expenses for a Participant or the Participant's Dependents.

7.2 **Source of Medical Benefits**

The liability of the Program, Participating Employers, Program Administrator, Board, and the Trust to any Participant or Dependent for Medical Expenses under the Program shall be limited to the balance in such Participant's Accounts. The State of Michigan, its agencies, MERS and the Board, and their officers, employees, and contractors shall not be responsible for any Medical Expenses and their funding under the Program in any respect.

7.3 **Termination of Public Service**

Participants are eligible to seek reimbursement from their vested Accounts for Medical Expenses under one or more of the following circumstances:

- (a) An Eligible Employee may seek reimbursement from the Eligible Employee's Accounts for Medical Expenses:
 - Upon Separation from Service;
 - Upon receipt of a duty or non-duty disability benefit from any public pension plan; or
 - Upon being on a medical leave for six months or longer.
- (b) An Eligible Former Employee may seek reimbursement from the Eligible Former Employee's HCSP Vested Account after: (i) enrollment; and (ii) a Participating Employer has made a Basic Employer Contribution to the Eligible Former Employee's HCSP Vested Account.

7.4 **Payment of Expenses**

Hardship withdrawals, advance reimbursements, or loans are not permitted under the HCSP. The Board by Rule may make the following determinations:

- (a) To pay Medical Expenses only on a reimbursement basis;

- (b) To pay Medical Expenses on both a reimbursement or a direct payment basis;
- (c) To limit the amount of Medical Expenses to the limits established by the Board; and
- (d) To allow the reimbursement and/or direct payment of Medical Expenses in excess of limits established by the Board and establish a maximum for these excess amounts.

7.5 **Payouts–Proof of Expenses**

In order to receive reimbursement for allowable expenses, a Participant must complete the Applicable Form. The Program Administrator shall establish any procedures necessary to process payments and transfer funds to Participants. Any claim that is denied can be appealed in accordance with the appeal process set forth in this HCSP and RHFV Plan Document.

Section 8. HCSP Termination

- 8.1 **Automatic Participant Account Termination.** Upon the death of a Participant who was an Eligible Employee or Eligible Former Employee, his/her Dependents, if any, shall be considered Participants and have the rights of Participants with respect to payment of Medical Expenses. If at the time of his/her death, the Participant who was an Eligible Employee or Eligible Former Employee has no Dependents, a beneficiary who the Participant who was an Eligible Employee or Eligible Former Employee has designated and filed with the Program on a form provided by the Program prior to his/her death may receive benefits for Medical Expenses on a taxable basis. If there is a balance remaining after there are no further Dependents or designated beneficiaries (if any of either), the personal representative of the estate of the deceased Participant who was an Eligible Employee or Eligible Former Employee must contact MERS within one year of the death of the Participant who was an Eligible Employee or Eligible Former Employee to identify individual(s) who will receive the account balance in the form of taxable medical expense reimbursements. The estate must be probated and an individual(s) must be designated as the owner of the account. If a personal representative of the estate does not contact MERS after one year of the death of the Participant who was an Eligible Employee or Eligible Former Employee, the remaining account balance shall revert to the Employer to the extent permitted by law.
- 8.2 **HCSP Termination and Plan Asset Transfers.** A Participating Employer may terminate its participation in the HCSP and transfer the assets of their Participants to a Successor Plan that is a trust, if it takes the following actions:
- (a) The Governing Body of the Participating Employer must adopt a resolution terminating its participation in the HCSP;
 - (b) The resolution must specify when the HCSP will be closed to any additional contributions; and
 - (c) The resolution must name the Successor Plan and identify the legal structure of the Successor Plan. The Program Administrator will identify if the Successor Plan is eligible to accept a transfer of plan assets from the Trust funds.

The Plan Administrator shall determine whether the resolution complies with this section, and all applicable federal and state laws. After such determination, the Program Administrator will supply the Employer with the Applicable Form for termination. The Program Administrator will transfer the Plan assets on a mutually agreed upon date, and by a direct trustee-to-trustee basis only. Such plan-to-plan transfers are NOT, and shall not be construed as, a distribution to individual participants resulting in issuance of a 1099-R by MERS as the transferring plan.

Section 9. Claims Procedure

9.1 **Program Administrator**

Any Participant may present a claim in writing to the Program Administrator for any issue involving the Participant's HCSP Accounts record-keeping, medical review, nonpayment of claims, and any other function designated for the Program Administrator by the Board. The Program Administrator shall resolve any such claim presented to it. If a Participant is not satisfied with the resolution determined by the Program Administrator, the Participant may request in writing a claim review under Section 9.3. A Participant who requests a claims review is referred to in this Article as the "Claimant."

9.2 **HCSP Accounts**

Notwithstanding anything contained herein to the contrary, in any issue involving information shown on the Participant HCSP Accounts statement, including but not limited to the amount of the account balances, the investment funds directed to, transfers and contributions occurring during that quarter, the Participant must give notice of any questions or disputes within ninety (90) days of issuance of the statement.

9.3 **Claims Review**

- (a) Within sixty (60) days of the date of mailing a demand under Section 9.1, the Claimant may appeal the decision and request a hearing to be conducted by a Hearing Officer designated by the Program Administrator. If such request is not filed within sixty (60) days, the decision of the Program Administrator, as applicable, shall be final and binding. The sixty (60) day period may be waived for good cause shown.
- (b) Hearings shall be conducted in accordance with the provisions of Chapter IV of the Administrative Procedures Act, 1969 PA 306, MCL 24.271 - 24.287. At the hearing, the claimant may appear in person, by authorized agent or through counsel. The Program Administrator may be represented by staff or through counsel.
- (c) The Hearing Officer shall issue a final decision.
- (d) A Participant must exhaust his or her administrative remedies under this Article before seeking judicial review.

ARTICLE III - RETIREE HEALTH FUNDING VEHICLE ("RHFV")

Section 1. RHFV Participation by Eligible Employers

1.1 **Adoption by Eligible Employer**

Any Eligible Employer may adopt the RHFV if it takes the following actions:

- (a) The Governing Body of the Eligible Employer must approve the RHFV Uniform Resolution formally adopting the RHFV.
- (b) The resolution must be completed in its entirety, including the date of the adoption. The resolution must specify that the Eligible Employer shall abide by the terms of the Program and the Trust, including all investment, administrative, and service agreements of the Program, and all applicable provisions of the Code and other applicable law. MERS shall determine whether the resolution complies with this section.
- (c) However, the Board and MERS may request additional information it considers necessary or appropriate. If the Eligible Employer meets all conditions necessary or appropriate, and if all requirements of the Program and Trust are met, MERS shall execute the RHFV Uniform Resolution.

1.2 **Cessation of Participation in RHFV**

An Eligible Employer shall cease to be a Participant in the Program on the distribution of the Employer's entire interest in the Program.

Section 2. RHFV Contributions

2.1 **RHFV Contributions**

Employer Contributions may be made to the Program in accordance with this Article. No contribution method other than "pay as you go" cash funding shall be required or imposed on the Participating Employer.

2.2 **Delinquent Contributions**

Neither MERS nor the Board has any liability for the delinquency of a Participating Employer's contributions. MERS liability is limited to the contributions made to the Trust. MERS does not have any additional liability with respect to any obligation to fund the Trust.

Section 3. RHFV Accounts

3.1 **RHFV Accounts**

The Program Administrator shall maintain a separate RHFV Account for each Participating Employer. The balance of the Participating Employer's RHFV Account shall be adjusted periodically to reflect any distribution to the Employer and all interest, dividends, account charges, and changes of market value, positive or negative, resulting from the investment of the RHFV Account.

3.2 **Valuation**

The Program Administrator shall mark to market the investments in the RHFV at least quarterly.

3.3 **Deposits**

In all cases, deposits of contributions shall be treated as actually made only as of the date the funds are accepted as in good order by the Program Administrator.

Section 4. RHFV Reports

4.1 **Statement of RHFV Program Accounts**

A written report of the status of each Employer's RHFV Account shall be furnished to the Employer by the Program Administrator within a reasonable time after the quarter ends, in accordance with standard industry practices. All reports shall be based on the fair market value of investments credited to their RHFV Accounts as of the quarter-end. Reports shall be deemed to have been accepted by the Employer as correct unless written notice to the contrary is received by the Program Administrator within ninety (90) days after the mailing or distribution of a report to the Employer.

4.2 **Report from Program Administrator to Board**

The Program Administrator shall provide a report to the Board concerning the valuation of RHFV Accounts within the period established by agreement.

4.3 **Year-End Reports**

Within one-hundred eighty days (180) days after the end of each Plan Year, a written report shall be prepared and maintained on file by the Program Administrator showing the assets held under the Programs, a schedule of all receipts and disbursements, and all material transactions of the Programs during the preceding year. This report shall be in a form and shall contain other information, as the Program Administrator requires. The report shall also contain such information as is necessary to enable the Board to prepare its accounting due under the Trust. This report may be included as part of the MERS Comprehensive Annual Financial Report.

Section 5. Investment of RHFV Accounts

5.1 **Investment**

The investment of RHFV Accounts is governed by the Trust Agreement creating the Trust. See Trust Agreement, Section 2.03.

Section 6. Retiree Health Care Expenses

6.1 **Retiree Health Care Expense Payments**

Retiree health care expenses under the RHFV shall be paid from the Trust Fund in accordance with this Article.

6.2 **Health Insurance Payment or Subsidy**

Amounts in a Participating Employer's RHFV account shall be used to provide or subsidize the provision of health insurance for Eligible Retirees to provide health benefits as defined by Code Section 213 and excludable from income under Code Sections 105 and 106 as may be amended from time to time. The liability for health benefits shall be determined under the terms of the Resolution.

6.3 **Source of Retiree Health Care**

The liability of the Program, Participating Employers, Program Administrator, Board and the Trust to any Participant or Dependent for retiree health care expenses under the Program shall be limited to the balance in such Participating Employer's Accounts. The State of Michigan, its agencies, MERS and the Board, and their officers, employees, and contractors shall not be responsible for any retiree health care expenses and their funding under the Program in any respect.

6.4 **Payouts-Proof of Expenses**

In order to receive distribution for allowable expenses, an Employer must complete the Applicable Form. The Program Administrator shall establish any procedures necessary to process payments and transfer funds to Participants.

Section 7. RHFV Termination

7.1 **Automatic RHFV Termination**

All payments for retiree health care expenses shall be terminated by the Program Administrator when the Participating Employer's Account has no funds remaining. The Participating Employer's participation in the RHFV shall be deemed terminated if the account balance remains zero for a consecutive period of 5 years, or as amended by Rule.

7.2 **Termination—Plan Asset Transfers**

A Participating Employer may initiate the termination of its participation in the RHFV and the transfer of available RHFV assets to a Successor Plan that is a trust, if it takes the following actions:

- (a) The Governing Body of the Participating Employer must adopt a resolution terminating its participation in the RHFV, subject to the terms and conditions of this section;
- (b) The resolution must specify when the RHFV will be closed to any additional contributions; and
- (c) The resolution must name the Successor Plan and identify the legal structure of the Successor Plan. The Program Administrator will identify whether [if] the Successor Plan is eligible to accept a transfer of plan assets from the Trust funds.

The Program Administrator shall determine whether the resolution complies with this section, this HCSP and RHFV Plan Document, and the Trust Agreement, and all applicable federal and state laws. After such determination, the Program Administrator will supply the Employer with the appropriate form for termination. The Program Administrator will transfer the Plan assets on a mutually agreed upon date, and by a direct trustee-to-trustee basis only.

7.3 **Termination—Satisfaction of RHFV Liabilities**

A Participating Employer may initiate termination of its participation in the RHFV upon demonstrating to the Program Administrator that it has clearly satisfied all of its liabilities for providing medical benefits for Eligible Retirees, if it takes all the following actions:

- (a) The Governing Body of the Participating Employer must adopt a resolution terminating its participation in the RHFV subject to the terms and conditions of this section;
- (b) The resolution must specify the full extent of the Participating Employer's liabilities for providing medical benefits for Eligible Retirees, and the manner in which they have been satisfied; and
- (c) The Participating Employer must submit full supporting documentation of the satisfaction of all liabilities for providing medical benefits for Eligible Retirees and any additional relevant documentation that may be requested or required by the Board or the Plan Administrator.

The Program Administrator shall determine whether the Participating Employer's resolution and documentation clearly demonstrate the satisfaction of all of the Participating Employer's liabilities for medical benefits for Eligible Retirees, and whether they comply with this section, this HCSP and RHFV Plan Document, the Trust Agreement, and all applicable federal and state laws. After such determination, the Program Administrator will supply the Participating Employer with the appropriate form for termination. The Program Administrator will return the assets remaining in the RHFV to the Participating Employer only (or Transfer the same as provided under Section 7.2) after the satisfaction of all liabilities for medical benefits for Eligible Retirees.

ARTICLE IV - MISCELLANEOUS

1.1 **Federal Taxes**

The Board, the Eligible Employers, and the Program Administrator do not guarantee that any particular Federal or State income, payroll or other tax consequence will occur because of participation in the Programs.

1.2 **Entire Agreement**

The HCSP and RHFV Plan Document, the Trust Agreement, and the Program Resolution and Agreements, including any properly adopted or executed amendments thereof, shall constitute the total agreement between the Participating Employer and any Participant regarding the Programs. No oral statement regarding the Programs may be relied upon by any Participant or other person.

1.3 **Conflicts**

In resolving any conflict between provisions of the Program and in resolving any other uncertainty as to the meaning or intention of any provision of the Program, the interpretation that (i) causes the Program to constitute a medical benefits program under the provisions of Code and the Trust to be exempt from tax under the Code, (ii) causes the Program to comply with all applicable requirements of the Code, and (iii) causes the Program to comply with all applicable statutes and rules, shall prevail over any different interpretation.

1.4 **Limitation on Rights**

Neither the establishment nor maintenance of a Program (including the Program Resolution and Agreements), nor any amendment thereof nor any act or omission under a Program (or resulting from the operation of a Program) shall be construed:

- (a) as conferring upon any Participant, Dependent, or any other person a right or claim against the Trust, Board, Participating Employers or Program Administrator, except to the extent that such right or claim shall be specifically expressed and provided in the Program;
- (b) as creating any responsibility or liability of the Participating Employers for the validity or effect of the Program;
- (c) as a contract between the Participating Employers and any Participant or other person;
- (d) as being consideration for, or an inducement or condition of, employment of any Participant or other person, or as affecting or restricting in any manner or to any extent whatsoever the rights or obligations of the Participating Employers or any Participant or other person to continue or terminate the employment relationship at any time; or
- (e) as giving any Participant the right to be retained in the service of the Participating Employers or to interfere with the right of the Participating Employers to discharge any Participant or other person at any time.

1.5 **USERRA Compliance**

Notwithstanding any provision of this HCSP and RHFV Plan Document that may be to the contrary, contributions, benefits and service credit with respect to qualified military service shall be provided as required by the Uniformed Services Employment and Reemployment Rights Act ("USERRA").

1.6 **Erroneous Payments**

If the Board or Program Administrator makes any payment that according to the terms of a Program and the benefits provided hereunder should not have been made, the Board or Program Administrator may recover that incorrect payment, by whatever means necessary, whether or not it was made due to the error of the Board or Program

Administrator, from the person to whom it was made or from any other appropriate party. For example, if any such incorrect payment is made directly to a Participant, the Board or Program Administrator may deduct it when making any future payments directly to that Participant.

1.7 **Release**

Any payment to any Participant shall, to the extent thereof, be in full satisfaction of the claim of such Participant being paid thereby and the Board or Program Administrator may condition payment thereof on the delivery by the Participant of the duly executed receipt and release in such form as may be determined by the Board or Program Administrator.

1.8 **Liability**

The Program Administrator shall not incur any liability in acting upon any notice, request, signed letter, telegram or other paper or document or electronic transmission believed by the Program Administrator to be genuine or to be executed or sent by an authorized person.

1.9 **Governing Laws**

Except to the extent pre-empted by federal law, the laws of the State of Michigan shall apply in determining the construction and validity of a Program.

1.10 **Necessary Parties to Disputes**

Necessary parties to any accounting, litigation or other proceedings relating to the Program shall include only the Board and the Program Administrator. The settlement or judgment in any such case in which the Board is duly served shall be binding upon all affected Participating Employers, Participants and their Dependents, and upon all persons claiming by, through, or under them.

1.11 **Rules of Construction**

Words used herein in the masculine gender shall be construed to include the feminine gender where appropriate, and words used herein in the singular or plural shall be construed as being in the plural or singular where appropriate.

1.12 **Severability**

If any provision of a Program shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions of the Program shall continue to be fully effective.

1.13 **Supersession**

The terms of the HCSP and RHFV Plan Document shall supersede any previous Agreement between the parties pertaining to a Program.

1.14 **Counterparts**

This HCSP and RHFV Plan Document may be executed in one (1) or more counterparts, each of which shall constitute an original.

1.15 **Health Privacy**

The HCSP (directly and through its third-party administrator) and the System use and disclose health information that is protected by the regulations promulgated under the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), for purposes of the operation of the HCSP as permitted by the Standards for Privacy of Individually Identifiable Health Information promulgated by the United States Department of Health and Human Services and codified at 45 C.F.R. Section 160 and Section 164 ("Standards").

The HCSP's third-party administrator may disclose protected health information ("PHI") to the System, who may disclose that PHI and PHI that it receives from any other source to any person, including the HCSP's service providers or prospective service providers, only to the extent necessary for the System to perform administrative functions including, but not limited to, business management and general administrative activities of the HCSP, including customer

service and resolution of internal grievances and providing information to Participants and other covered persons on benefits and services, and reviewing appeals.

The Board and the System may have access to summary health information (de-identified and statistical) for considering amendment or termination of the HCSP. The System may also have access to PHI on whether a person is eligible for benefits under the terms of this HCSP. The Board may have access only to such PHI as is necessary in the appeals process.

The HCSP will disclose PHI to the Board and the System only upon receipt of a certificate, in accordance with 45 C.F.R. Section 164.504(f)(2)(ii), that this provision regarding Health Privacy has been adopted and that the Board agree to abide by its terms. The Board and the System are subject to the following:

- (a) Neither the System nor the Board will use or further disclose PHI other than as permitted or required by this HCSP document or as required by law.
- (b) The Board will require that each of its agents, including subcontractors, to whom it or the System provides PHI agree to written contractual provisions that impose the same restrictions and conditions that apply to the Board and the System with respect to such information.
- (c) The Board or the System will report to the HCSP any security incident or use or disclosure of the PHI that is inconsistent with the uses or disclosures provided for of which it becomes aware.
- (d) The System will provide Participants and other covered persons with PHI in accordance with the rights accorded to them under Standards, including the right to access to PHI, the right to an opportunity to amend PHI and the right to an accounting of disclosures of PHI.
- (e) The Board and/or the System will make its internal practices, books, and records relating to the use and disclosure of PHI available to the Secretary of Health and Human Services for purposes of determining compliance by the HCSP with the Standards.
- (f) The Board and the System will, as is administratively feasible, return or destroy all PHI it receives from the HCSP that the Board or the System maintain in any form and retain no copies of such information when no longer needed for the purpose for which disclosure was made, except that, if such return or destruction is not feasible, limit further uses and disclosures to those purposes that make the return or destruction of the information infeasible.
- (g) The Board and the System will use its best efforts to request only the minimum necessary type and amount of PHI to carry out the functions for which information is requested.
- (h) The Board and the System will ensure that adequate separation occurs between the Board and the HCSP by identifying the System employees who may have access to PHI for HCSP administration purposes, restricting access to PHI and such persons for HCSP administration purposes, and providing for an effective mechanism for noncompliance.

Anyone who suspects an improper use or disclosure of PHI may report the occurrence to the HCSP's Privacy Officer, as designated by the HCSP's Privacy Policy.

1.16 **Health Information Security**

The HCSP (through its third-party administrator) and the Board (through the System) will comply with the security regulations issued pursuant to the Health Insurance Portability and Accountability Act of 1996, codified at 45 C.F.R. §§ 160, 162 and 164 ("Security Rule"), with regard to Electronic PHI ("ePHI") that is created, received, maintained or transmitted by the System on behalf of the HCSP, except for the following types of ePHI:

- (a) ePHI received pursuant to an appropriate authorization (as described in 45 C.F.R. §164.508),
- (b) ePHI that qualifies as Summary Health Information that it receives for the purpose of modifying, amending or terminating the HCSP (as set forth in 45 C.F.R. §164.504(f)(1)(ii)(B)), and
- (c) ePHI that is information on whether an individual is participating in the HCSP, or is enrolled or has disenrolled from the HCSP.

The Board, through the System, shall, in accordance with the Security Rule:

- (a) Reasonably and appropriately safeguard ePHI created, received, maintained, or transmitted to or by the Board or the System on behalf of the HCSP,
- (b) Implement Administrative, Physical, and Technical Safeguards that reasonably and appropriately protect the confidentiality, integrity, and availability of the ePHI they create, receive, maintain or transmit on behalf of the HCSP,
- (c) Ensure that “adequate separation” is supported by reasonable and appropriate security measures. “Adequate separation” means the Board and the System will use ePHI only for HCSP administration activities and not for employment-related actions or for any purpose unrelated to HCSP administration,
- (d) Ensure that any agent, including a subcontractor, to whom the Board or the System provide such information agrees to implement reasonable and appropriate security measures to protect the information, and
- (e) Report to the HCSP any Security Incident of which the Board or the System become(s) aware.

If other terms of the HCSP conflict with the provisions of this Section, this Section shall control. The Security Rule is incorporated herein by reference. Unless defined in the HCSP, all capitalized terms herein have the definition given to them by the Security Rule.

1.17 **Adequate Separation Between the Plan and Plan Sponsor**

In accordance with the Privacy Regulations, only the following employees or classes of System employees may be given access to Protected Health Information:

- (a) **Privacy Officer:** Any Protected Health Information necessary to enforce HCSP’s privacy policies and procedures or as necessary to perform any plan administrative functions, including, but not limited to, adjudicating appeals for claims denials and addressing claims questions.
- (b) **Employees Responsible for Plan Administrative Functions:** Any PHI necessary to perform any plan administrative functions.
- (c) **Accounting:** Only the minimum necessary amount of PHI necessary to ensure that funds are available to pay for claims made under HCSP. In most circumstances, unless otherwise approved by the Privacy Officer, information provided will include only information that does not identify the identity of an individual or an individual’s medical condition or treatment.
- (d) **Senior Management:** Only aggregated non-identifiable information, unless minimally necessary to perform an HCSP administrative function such as determining final appeals of claims.
- (e) **Others:** In his or her discretion, the Privacy Officer may, from time to time, designate other individuals or classes of individuals to use PHI. The Privacy Officer will identify such individuals and define the PHI they may use. Individuals performing services on

behalf of HCSP will not access the PHI of any participant or dependent that is not relevant to the particular job they are performing for HCSP. All such individuals will be trained in the use and disclosure of PHI consistent with HCSP's policies and procedures for employee education and discipline.

1.18 **Limitations on Access and Disclosure**

The persons described in Section 1.17 of this Article IV may only have access to and use and disclose PHI for Plan administration functions that the Board performs for HCSP.

1.19 **Noncompliance**

If the persons or classes of persons described in Section 1.17 of this Article IV do not comply with this plan document, HCSP and the Board or the System will provide a mechanism for resolving issues of noncompliance, including disciplinary sanctions.

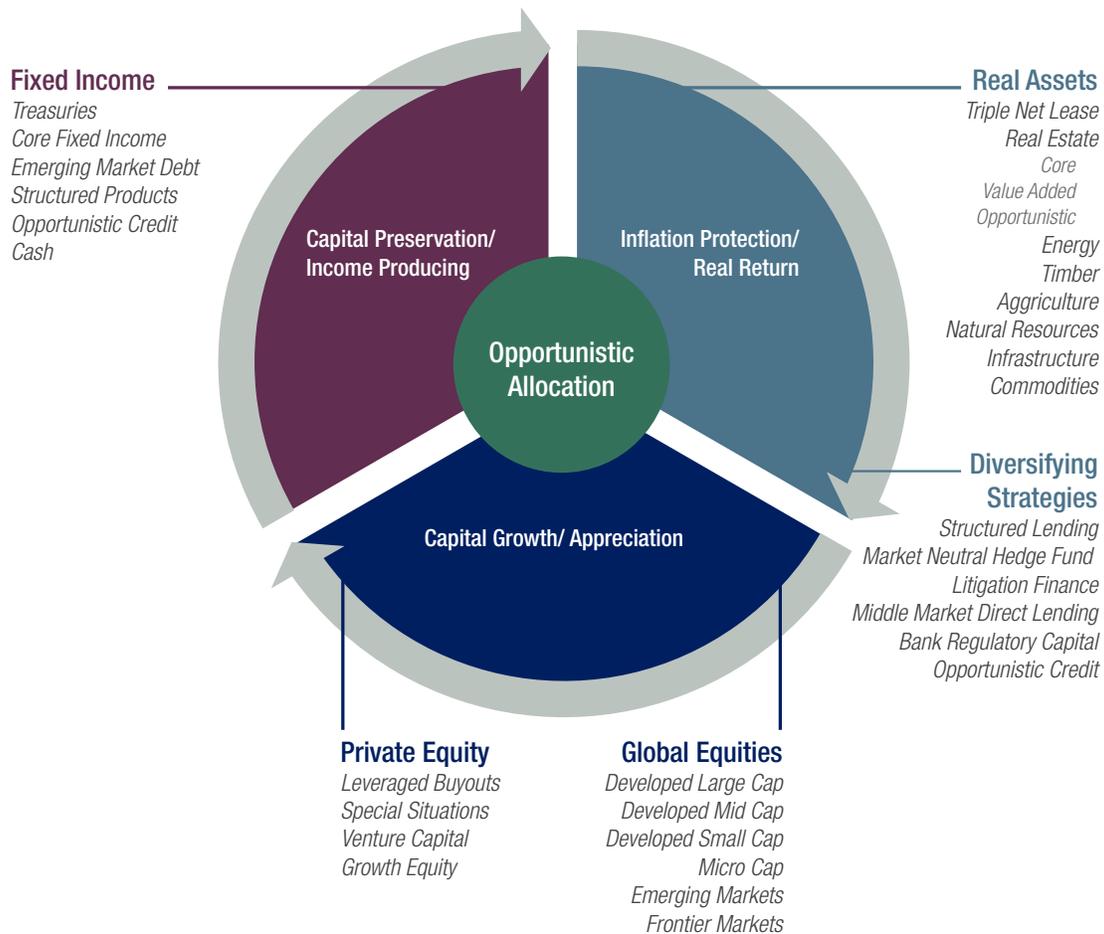
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Defined Benefit Investment Policy Statement

Defined Benefit Investment Policy Statement

Board Approved on January 31, 2018



MISSION STATEMENT

The Municipal Employees' Retirement System of Michigan (MERS) exists to provide quality retirement and related services with cost-effective plan administration for members and beneficiaries.

1134 Municipal Way | Lansing, MI 48917 | 800.767.6377 | www.mersofmich.com

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Defined Benefit Investment Policy Statement



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I. INTRODUCTION

Statutory Authority and Mission

The Municipal Employees' Retirement System of Michigan (MERS) is an independent, professional retirement services company that was created to administer the retirement plans for Michigan municipalities on a not-for-profit basis. MERS is a statewide voluntary organization that was created in 1945 by the Michigan Legislature. In 1996, the System was granted independence by the Legislature.

MERS offers a Defined Benefit Plan (DB), Defined Contribution Plan (DC), Hybrid Plan, Health Care Savings Program (HCSP), 457 Deferred Compensation Program (457), Retiree Health Funding Vehicle (RHFV), and Investment Services Program (ISP) (the "Plans").

The Retirement Board (Board) has delegated all investment management operations and activities to the Chief Executive Officer (CEO) and the Board's Investment Committee, except those specifically reserved by the Board. The CEO is directly responsible for all day-to-day activities of MERS. The CEO has delegated management of MERS' trust assets to the Office of Investments, including all investment management activities. All transactions undertaken on behalf of the Plans shall be for the sole interest of the Plans' participants and beneficiaries.

Investment Policy Statement

The Investment Policy Statement (IPS) outlines the investment goals, objectives, and policies of the MERS Total Market Fund (Fund). The purpose of the IPS is to ensure that the investment activities are carried out within the framework established by MERS policy and administrative documents. The IPS assists the Board, Investment Committee, and Office of Investments in effectively and prudently monitoring and administering MERS' investment. The IPS addresses the following:

- The goals of MERS' investment program;
- Investment policies;
- Performance objectives and evaluation;
- Major investment programs; and
- Investment processes and procedures.

The IPS is designed to provide sufficient flexibility in the management and oversight process to reflect the dynamic nature of the capital markets. It is a working document and may be modified as needed or as market conditions change. At a minimum, the IPS will be reviewed and approved annually by the Board.



II. GOVERNANCE

The overriding duty of the Board, Investment Committee, CEO, and the Office of Investments is to loyally carry out respective fiduciary duties to manage the assets of the System exclusively in the best interest of the System's participants. The establishment of a functional governance framework will support the fiduciary activities of the Board, Investment Committee, and Office of Investments.

In order to accomplish this, the governance structure should provide adequate flexibility and autonomy to ensure that investment objectives are met while maintaining a prudent level of oversight. Regulatory compliance should operate in tandem with the investment process. Regulatory compliance and robust governance structures protect the integrity of the System and its assets. This level of compliance is best accomplished through a clear delineation of duties. MERS has a long history of having appropriate separation of investment policy and investment management decision making.

Fiduciary Duty

The Board, as "investment fiduciary" under the Public Employee Retirement System Investment Act (PERSIA), MCL 38.1132 et seq., has the fiduciary responsibility and authority to direct the investment of MERS' trust assets. Board Members must discharge their duties for the exclusive benefit of plan participants and beneficiaries. PERSIA requires that the Board "act with the same care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a similar capacity and familiar with those matters would use in the conduct of a similar enterprise with similar aims." MCL 38.1133(3).

The Board, CEO, and Office of Investments oversee and guide the investment of System assets and execute their fiduciary duty subject to the following principles provided in Section 13 of PERSIA, MCL 38.1133(3):

- Act with due regard for the management, reputation, and stability of the issuer and the character of the particular investments being considered;
- Make investments for the exclusive purposes of providing benefits to participants and participants' beneficiaries, and of defraying reasonable expenses of investing the assets of the System; and
- Give appropriate consideration to those facts and circumstances relevant to the particular investment or investment course of action involved, including the role the investment or investment course of action plays in the system's investments, and act accordingly.
 - Appropriate consideration includes, but is not limited to, a determination that a particular investment or investment course of action is reasonably designed, as part of the investments of the System, to further the purposes of the System, taking into consideration the risk of loss and the opportunity for gain or other return associated with the investment or investment course of action; and consideration of the following factors as they related to the investment or investment course of action:
 - The diversification of the investments of the System;
 - The liquidity and current return of the investments of the System relative to the anticipated cash flow requirements of the System; and
 - The projected return of the investments of the System relative to the funding objectives of the System.

In order to achieve these goals, MERS invests in the necessary resources to build and maintain an appropriate organizational infrastructure.



Discretionary Authority

The Retirement Board has delegated discretionary investment authority to the Investment Committee to hire and terminate investment managers.[1] The Investment Committee delegates certain discretionary investment authority through the CEO to the CIO and the Office of Investments as stated below, subject to approval by the Office's Portfolio Review Committee (PRC). This discretionary authority is subject to the following limits on investment size:

- Separate account or fund investments up to \$50 Million;
- Co-investments up to \$25 Million;
- Private placements (direct investments) up to \$15 Million; and
- Any investments made under this provision are reported to the Investment Committee at the Committee's next scheduled meeting.

With increased internal, direct, private investing, upfront costs may be incurred in order to determine the suitability of a potential investment for the System. Such costs may include, but are not limited to, deal sourcing, market analysis, exploratory due diligence, and other expenses. The approval process for exploratory third party due diligence expenses for potential private investments will be as follows:

- The Office of Investments will in every case look to avoid such costs by either having the potential seller or potential partner fund such expenses;
- The Office of Investments will seek to have any upfront costs incorporated into the cost basis of completed investments;
- Third party due diligence costs referenced above, up to the lesser of \$1.5M or 2% of the expected commitment, may be funded with PRC approval; and
- In situations where anticipated third party due diligence costs are expected to be greater than \$1.5M or 2% of expected commitments, Investment Committee is required.

III. INVESTMENT APPROVAL PROCESS

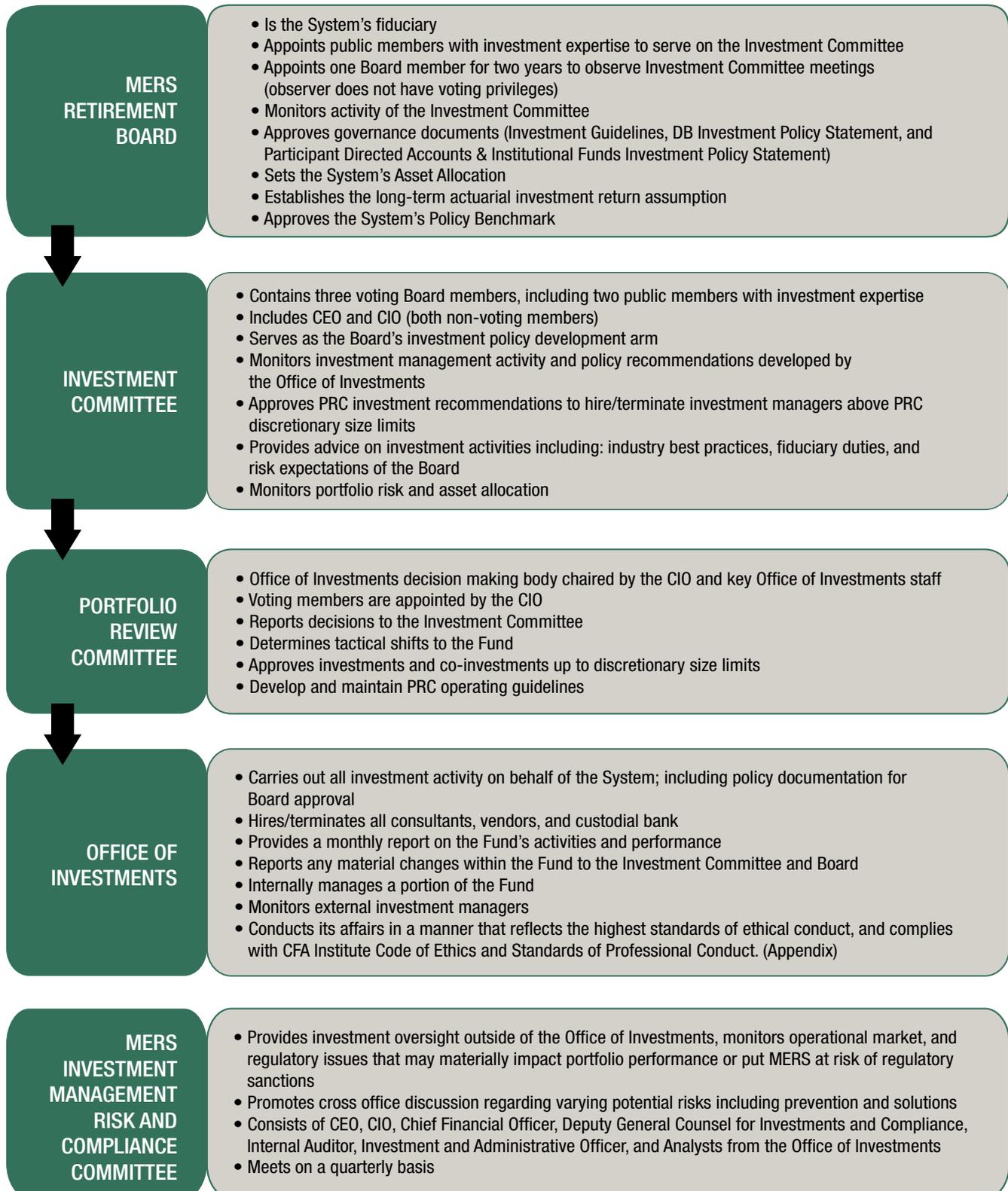
- Prospective investments must be discussed at least twice by the PRC before a vote is taken.
 - Prior to the first discussion an investment memo or presentation shall be distributed to the PRC members.
- Any PRC approval requires a majority vote of the members. All PRC votes are recorded in the committee's meeting minutes.
 - Members are allowed to give another member their voting proxy in the event they will miss a meeting; but a quorum of the PRC is needed to hold a vote.
- The CIO retains veto power for all voting actions presented to the PRC.
- The CIO may unilaterally approve an investment without PRC approval when and if the CIO determines that, due time constraints outside of MERS' control, investment approval is needed before the investment can be approved by the PRC. The CIO will only approve investments under this subclause when the Office of Investments' underwriting supports approval of the investment.
- MERS will conduct an onsite visit of the investment or the manager's office before the investment is made.
- If Investment Committee approval is required, i.e., due to size of the investment, best efforts will be made to send materials to the Investment Committee members one week prior to the Investment Committee meeting.
 - Investment Committee approval is determined by a majority vote of the voting members. A quorum of the Investment Committee is required to hold a vote.

Investment Policy Statement

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Roles and Responsibilities





IV. STATEMENT OF INVESTMENT PHILOSOPHY AND PRINCIPLES

Investing in today's financial markets is becoming increasingly more complex as a result of the rapid exchange of information, increased volatility, and global interconnectedness. Thus, it is important to identify core principles in order to simplify the investment decision making process. Following is a list of MERS' investment principles:

- Capital preservation is paramount;
- Keep it simple — if it can not be understood, do not invest in it;
- A clearly defined and sound governance structure is a prerequisite for the successful management of any investment strategy;
- Asset allocation is the most important decision faced by investors;
- A valuation-driven investment process can generate outperformance by exploiting market inefficiencies;
- Low-cost implementation is fundamental achieving required returns;
- The fund's long term time horizon allows it to capitalize on the constraints of short-term focused investors; and
- Diversification is critical because the future is unknown.

The Office of Investments believes that framing discussions around these central tenets will help achieve the stated investment goals and increase the probability of long-term investing success.

V. INVESTMENT GOALS AND OBJECTIVES

In conformity with PERSIA, the primary goal of MERS' investment program is to grow assets at a rate which, when coupled with employer and employee contributions, satisfies promised benefits to MERS members. To achieve this objective, the Investment Committee allocates MERS' assets with a strategic, long-term perspective and a high degree of prudence to reduce risk by:

- Exceeding the actuarial investment assumption on a long-term basis, which is currently 7.75%;
- Maintaining adequate liquidity to pay promised benefits;
- Adopting a strategic asset allocation plan that reflects current and future liabilities, minimizes volatility, and maximizes the long-term total rate of return;
- Minimizing the costs associated with implementation of the asset allocation through the efficient use of internal and external resources;
- Maintaining above median peer rankings for the 10-year time period; and
- Exceeding the return of the Fund's Policy Benchmark. The Policy Benchmark currently consists of:

Investment Policy Statement

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Index	Weighting
Russell 3000	45%
MSCI ACWI IMI ex-US*	20%
Bloomberg Barclays Aggregate	25%
Bloomberg Barclays Global Aggregate ex US	10%

*Morgan Stanley Capital International All Country World Index IMI (net)

In order to ensure the Policy Benchmark is an appropriate measure of the System's investment program, the Board reserves the right to adjust it at any time there is a material change to the System's investments. An independent, third party will review the Policy Benchmark following an asset allocation study and submit its recommendation to the Board for approval.

VI. ASSET ALLOCATION POLICY

The Fund's asset allocation is the single most important determinant of achieving the stated investment goals. The Office of Investments conducts an asset allocation study every three years to assess portfolio construction and strategy. The Board adopts and implements an asset allocation policy that is predicated on a number of factors, including:

- A projection of actuarial assets, liabilities, and benefit payments;
- Historical and expected long-term capital market risks and returns for each asset class;
- Expected correlations of returns among various asset classes;
- An assessment of future economic conditions, including inflation and interest rate levels;
- Various risk/return scenarios; and
- Liquidity requirements.

Criteria for Inclusion of Asset Classes

The following criteria will be used in assessing an asset class for inclusion in the Fund:

- Sufficient size and liquidity to permit an investment by the Fund;
- Staff, investment manager, or consultant expertise to ensure proper due diligence and cost effective implementation;
- The incorporation of the asset class contributes to the return enhancement and/or further diversification of the Fund; and
- Ability to readily measure performance and risk against appropriate benchmarks.

Investment Policy Statement

Defined Benefit Plan



Asset Allocation

Following is the MERS target asset allocation approved by the Board in 2016:

Asset Class	Target Weight	Min/Max Bands	Minimum Allocation	Maximum Allocation
Global Equity	55.5%	± 10.0%	45.5%	65.5%
Global Fixed Income	18.5%	± 7.5%	11.0%	26.0%
Real Assets	13.5%	± 5.0%	8.5%	18.5%
Diversifying Strategies	12.5%	± 5.0%	7.5%	17.5%

The Board sets target allocations to various asset classes that are designed to meet MERS' long-term objectives and establishes minimum and maximum allowable allocations for each asset class. The bands allow flexibility to pursue tactical shifts or investment strategies over shorter time periods.

Portfolio Rebalance Policy

In conducting rebalancing activities, the Office of Investments follows the following process:

- Review the asset allocation at least monthly to ensure conformance with the asset allocation set by the Board;
- Initiate rebalancing transactions to bring all percentages to values inside the bands or promptly seek Board approval to remain outside of the bands in the event that an asset class falls out of said bands;
- Deviate from an asset class's target allocation, but stay within the allowable bands when implementing a tactical shift or investment strategy;
- Implement rebalancing activities at a reasonable cost using either index futures via an external derivatives manager or hard dollars; and
- Approve all rebalancing transactions.

Sub-Asset Class / Manager Rebalancing

The use of sub-asset class/manager level rebalancing is meant to exploit mean reversion at a more granular level. It is recognized that sub-asset classes/managers are poised to perform well at different times and in different market environments. Thus, by incorporating market information, rebalance rules or triggers can be established to guide the desired asset allocation tilts within the Fund. A variety of factors will be included in the decision making process such as:

- Allocation level relative to target;
- Recent relative performance;
- Market correlation;
- Valuation — whether an asset class is overvalued or undervalued;
- Economic activity — different economic conditions favor different asset classes; and
- Market sentiment — volume, volatility, risk aversion, fund flows, etc.

The ultimate goal is overweighting a sub-asset class/manager when outperformance is likely and underweighting a sub-asset class/manager when it is likely to underperform. Doing so, systematically helps eliminate emotional decision making which leads to a better risk/return profile for the Fund.

Allocations to external investment managers are limited to 15% of the total Fund each; however, this excludes passive index strategies.

Global Equity Portfolio Construction

The Global Equity allocation is the largest driver of return and risk for the Fund. The portfolio is designed to provide long-term capital appreciation, generate current income, and provide a hedge against inflation. To manage risk the global equity assets are diversified across geographic regions, styles, and the market capitalization spectrum.

A core portion of the global equity portfolio is invested in highly liquid equity securities including, but not limited to, U.S. large cap equities, U.S. mid cap equities, and developed ex U.S. large and mid cap equities. The portfolio may also include higher risk investments such as small cap equities, micro cap equities, private equity, emerging market equities, and frontier market equities.

Both internal and external managers are used within the Global Equity portfolio. The use of a passive investment approach versus active management will vary based on the composition of the asset class. In efficient markets, such as U.S. large cap equities, passive exposure will be favored in order to reduce of management fees. In inefficient markets, such as emerging markets, active management will be favored in order to reduce risk and add value over a passive approach.

Global Fixed Income Portfolio Construction

The Global Fixed Income allocation plays a vital role for the Fund. The core of the portfolio includes investment grade securities such as U.S. Treasuries bonds, corporate bonds, and global investment grade debt. This portfolio is designed to provide downside protection, diversification, stable income, and liquidity. The core fixed income portfolio is expected to preserve capital and provide liquidity that may be used for portfolio rebalancing in stressed market environments.

The Global Fixed Income portfolio may also include higher risk investments such as high yield bonds, emerging market debt, structured credit investments, and other below investment grade securities. These below investment grade securities entail higher risk, including the potential impairment of capital and low liquidity. However, these securities tend to exhibit equity-like risk/return profiles combined with higher cash yields and will only be purchased when risk premiums are high.

Both internal and external management will be utilized within the Global Fixed Income portfolio.

Internal management will be focused on investment grade core fixed income and will entail active decisions regarding duration, sector allocation, and security selection within U.S. Treasuries, corporate bonds, and other sectors. External managers may also be used within Core Fixed Income. Risk characteristics (such as duration) will be monitored on an aggregate basis including both internal and external portfolios. External managers will be used in the management of sub-investment grade securities. The Office of Investments will utilize specialized managers to opportunistically invest in certain portions of the sub- investment grade fixed income market. Exchange Traded Funds (ETFs) and other index-linked products may also be used to cost-effectively implement bond strategies in lieu of using active managers.

Real Assets Portfolio Construction

The primary objective of the Real Assets allocation is to provide some degree of protection for the Fund against inflation. Secondary objectives are capital growth and if possible, current yield through cash dividends. Examples of potential real asset categories include:

- Real Estate;
- Commodities;
- Infrastructure;
- Timber; and
- Agriculture/Farmland.

The Real Assets portfolio will be constructed in a diversified manner, with no single investment comprising more than 20% of the total allocation to Real Assets. Investments in real assets may be either liquid (those that could be liquidated within 30 days) or illiquid (investments where capital is committed for multi-year periods of time). Illiquid strategies are defined as strategies with contractual lockups that would take greater than one year to liquidate. Examples of liquid real assets investments include commodities futures, sector specific equities, or sector specific publicly traded debt. Examples of illiquid investments include commingled funds, limited partnerships, co-investments or private placements.

Diversifying Strategies Portfolio Construction

The Diversifying Strategies allocation is expected to provide the Fund with downside protection and uncorrelated returns with traditional asset classes- specifically equities.

The following criteria are used to classify a diversifying strategy:

- Correlation or Beta of 0.40 or less with equity markets;
- Superior risk-adjusted returns (as measured by Sharpe ratio and other appropriate statistical measures); and
- Returns resulting from idiosyncratic (non-market) risks.

Illiquid and liquid strategies are both considered when funding the Diversifying Strategies portfolio. As a result illiquid Diversifying Strategies are expected to deliver higher returns with higher levels of risk. Liquid strategies are defined as strategies that can be liquidated within thirty days. These strategies will have lower expected returns and lower levels of risk.

The MERS Office of Investments adheres to the following portfolio construction guidelines for the Diversifying Strategies portfolio:

- The portfolio is diversified across a minimum of four different strategies at any one time;
- Each strategy targets a minimum of \$100M and positions will be initiated at a minimum size of \$50M when possible; and
- The Asset Allocation Study will determine the target allocation between illiquid strategies and liquid strategies.



Currency Management

Foreign currency risk is a consequence of global investing. Due to short-term speculation, central bank actions, and economic uncertainties, currencies can add volatility to a global portfolio. While issues arise in both active and passive currency hedging programs, the Office of Investments believes currency risk can be managed strategically in order to reduce risk and enhance returns in the long-term. Currency risk is viewed in the context of fundamentals such as currency valuations and economic conditions. Overvalued foreign currencies pose higher risk to the System's investments and undervalued currencies offer the potential to enhance long-term returns. Consideration is also given to the type of asset class (equity, fixed income, or alternatives) that the currency risk is derived from due to the fact that currency volatility has differing impacts on each asset class. The Office of Investments monitors global currency risk and valuations and implements hedges when risk is high. Hedging decisions are made at the discretion of the Office of Investments.

Liquidity

MERS' primary goal is ensuring the benefits promised to the System's participants are honored. Maintaining adequate liquidity is paramount to achieving this goal. The Office of Investments analyzes every investment in terms of the impact it will have on the Fund's overall liquidity. MERS recognizes that certain investments with a greater degree of illiquidity, such as private equity, real estate, infrastructure, etc., offer the potential for greater return and/or enhanced diversification. As a long-term investor, MERS has the ability to bear illiquid investments. In recommending allocations to illiquid asset classes, the Office of Investments considers projections of the net annual cash flows of MERS and determines a prudent level of assets that can be committed to illiquid investments. An investment is not made if the anticipated liquidity premium of the investment is deemed inadequate for the liquidity risk being assumed. The liquidity level of the Fund is managed such that the Fund maintains one and a half months of pension payments in cash or cash equivalent securities.

Leverage

Leverage is a condition where the net potential monetary exposure of an obligation exceeds the value of the underlying assets. Use of leverage is permitted by the System, except that the System may not "invest in derivatives for the purpose of leveraging [its portfolio] or shorting securities as a sole investment." See MCL 38.1133(8)(b) and 38.1140j(3). MERS recognizes that prudent use of leverage is an appropriate tool to enhance overall returns and is inherent in several asset classes such as real estate and private equity. Underlying portfolio managers may use leverage so long as it is used in a manner consistent with the approved investment strategies and is in compliance with the System's obligations under PERSIA. Use of leverage will be controlled by individual manager guidelines and will be subject to review by the Office of Investments and applicable consultants.



Derivatives

The System may invest in any of the following:

- A derivative that hedges positions of a non-derivative component of a portfolio that clearly reduces a defined risk;
- A derivative that replicates the risk/return profile of an asset or asset class;
- A derivative that rebalances the country or asset class exposure of a portfolio;
- A derivative in which the System has examined the price, yield, and duration characteristics in all market environments both at the time of investment and on an ongoing basis;
- A commingled or pooled investment fund that uses derivatives, if the fund's use of derivatives is consistent with this policy; and
- Over-the-counter derivatives if, in the case of an over-the-counter security, a minimum of two competing bids or offers are obtained. All counter-party risk in over-the-counter derivative transactions shall be examined at the time of investment and on an ongoing basis.

The aggregate market value of the underlying security, future, or other instrument or index made under this section shall not exceed 15% of Fund assets.

For the purposes of this policy, derivatives include, without limitation: futures contracts, options, options on futures contracts, forward contracts, swap agreements, including swap contracts with embedded options, any instrument or contract intended to manage transaction or currency exchange risk in purchasing, selling or holding investments, and any other instrument commonly used by institutional investors to manage institutional investment portfolios. However, for purposes of the asset limitation in this section only, "derivatives" does not include:

- Asset backed pools, mortgage backed pools, or collateralized mortgage obligations that are otherwise qualified under PERSIA and are no more exposed to prepayment risk or interest rate risk than the underlying collateral including planned amortization classes and sequential-pay collateralized mortgage obligations;
- Convertible bonds, convertible preferred stock, rights or warrants to purchase stock or bonds or notes or partnership interests, floating rate notes, zero coupon securities, stripped principal securities, or stripped interest securities, which items are otherwise qualified under PERSIA;
- Exchange-listed derivatives trading on a daily basis and settling in cash daily or having a limited and fully defined risk profile at an identified, fixed cost, including futures contracts and purchased options; and
- Currency forwards trading on a daily basis and settling in cash daily or having a limited and fully defined risk profile at an identified, fixed cost.

The System may not invest in derivatives for the purpose of leveraging a portfolio or shorting securities as a sole investment. See MCL 38.11.40j(3).

External managers may be permitted to utilize derivatives to implement their investment strategies. Each individual manager's guidelines shall specify restrictions regarding derivatives usage. Under no circumstances may derivatives or leverage be used to circumvent the intent or limits otherwise prescribed by this policy.

VII. INVESTMENT MANAGER DUE DILIGENCE AND SELECTION

In order to conduct proper due diligence and objectively evaluate prospective managers, a disciplined process is necessary. The goal of this process is to provide a consistent, systematic framework for investment manager due diligence and selection.

A successful due diligence process should:

- Result in hiring best-in-class investment teams;
- Seek to identify what will likely contribute to poor performance before it happens;
- Identify managers that have a greater likelihood of repeating success; and
- Result in a true partnership providing invaluable market insight to the Office of Investments.

Simple performance evaluation is imprecise and the connection between past performance and future performance is tenuous at best. Thus, the due diligence and selection process must incorporate both quantitative and qualitative components in order to consider all factors that contribute to an investment manager's success. The Office of Investments considers the following factors indicative of the likelihood of a manager's continued success:

Organization

- Stable ownership structure (preferably employee owned);
- Experienced, dynamic leadership;
- Sound financial condition;
- Company registration with the appropriate regulatory authorities;
- Key management turnover;
- Adequate staff resources and infrastructure;
- Compensation structure that creates an alignment of interest with clients;
- Cultural fit with MERS;
- Demonstrates value add outside core investment mandate;
- No material legal or regulatory issues; and
- Firm history of ethical behavior.

People

- Experienced and skilled investment staff;
- Depth of the investment management team;
- Contribution to the strategy's track record;
- Employees highly motivated to meet client objectives;
- Sufficient backup and ongoing training;
- Collaborative, team environment; and
- Strong alignment of interests with investor goals.



Investment Process

- Well-articulated philosophy as to how value is added in a particular market;
- Systematic, focused, and consistent across strategies;
- Exploits a perceived competitive advantage;
- Successful implementation in different market environments;
- Research driven investment process;
- High-quality deal flow and investment opportunities;
- Detailed portfolio construction process;
- Clear sell discipline; and
- Thoughtful consideration of strategy capacity.

Procedures

- Strong compliance and internal control systems;
- Firm wide focus on risk management that is incorporated into the investment process;
- Clearly delineated lines of authority and responsibility;
- Well defined trade management process that ensures best execution and minimizes cost; and
- Strong reporting capabilities.

Performance

Performance is reviewed based on both qualitative and quantitative measures, and must be consistent with the manager's stated investment style. Managers are encouraged to present performance in accordance with the Global Investment Performance Standards (GIPS) in order to assure an accurate and consistent comparison. Performance is compared to relevant market indices as well as a peer universe. The risk level is evaluated to determine whether the manager has provided solid returns given the level of risk it has taken. Special attention is also paid to strategy capacity and whether or not additional assets may adversely affect future performance. Consistent with MERS' investment philosophy, it is critical to understand where managers are in their performance cycle.

Price

Since management fees directly affect the returns of a manager, best efforts are made to achieve the best fee agreement possible. The Office of Investments leverages the scale of the investments to negotiate deals that are at the lower end of industry standards and highly competitive with peers. While it is understood that superior managers often have higher fee structures, performance expectations and cost are carefully balanced. Fees constitute the only determinable future cost of an investment; thus, it is critical to minimize fees to the extent possible. All else being equal, managers with lower fees will be favored.

Although each one of these broad criterion is important, some are more important than others in the manager selection process. Thus, each broad criterion will be considered according to its relative importance in the manager selection process.

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Criteria for Manager Selection	Importance
Organization Structure, size, financial condition, client base	Moderate
People Investment professionals, experience, compensation	Highest
Process Investment philosophy, style, portfolio construction, sell discipline	Highest
Procedures Trading, risk management, compliance, reporting	High
Performance Results relative to an appropriate benchmark and peers	High
Price Investment management fees	Moderate to High

Portfolio Impact

Managers cannot be evaluated or selected without considering how they “fit” into the overall portfolio structure. In an effort to diversify risks and allow for disciplined rebalancing, the goal within each sub-asset class is to hire complementary managers that harvest uncorrelated sources of alpha. A variety of qualitative and quantitative factors are analyzed to determine whether a particular manager would help achieve this goal. These factors include, but are not limited to:

- Investment philosophy and process;
- Correlation of returns;
- Correlation of excess returns;
- Portfolio beta and standard deviation;
- Scenario analysis and stress testing;
- Investment style; and
- Back-tested composite return series (using various weighting schemes).

Manager Search Process

The Portfolio Review Committee determines when an investment manager search is necessary, primarily due to a manager termination, the need for a complementary manager, or the addition of a new asset class. The PRC designates a member of the investment team to lead the search. To identify prospective managers, the search lead will screen an investment manager database to identify potential managers. Media and industry contacts can be utilized to promote the search and allow prospective managers to express interest. The search will generally include a number of investment managers representative of the asset class universe, except in the case of a niche asset class where few managers exist or the Office of Investments decides that a sole sourced manager is in the best interest of the system. The search lead will present the recommendation and supporting analysis to the PRC for selection of finalist(s) (one to four managers).



VIII. INVESTMENT MANAGER MONITORING AND RETENTION POLICIES

Ongoing manager evaluation is paramount to successfully implementing the desired allocation and meeting overall investment objectives. In order to successfully evaluate investment managers, reasonable expectations and beliefs must be established. The Office of Investments holds the following expectations/beliefs with regard to investment manager performance:

- No investment manager or strategy should be expected to outperform its benchmark(s) at all times, in all market environments; such a standard is unrealistic and will likely lead to poor decision making;
 - Any manager with a superior long-term track record is virtually certain to underperform for multiple periods within that performance period;
- The expectation of outperformance by all of the Fund's managers at all times is both unrealistic and contrary basic principles of completely at odds with the desirability of risk mitigation through mandate and manager diversification; and
- Mean reversion is one of the few certainties in investing and thus it is critical for investors to be aware of a variety of cycles (economic, market, etc.) that have a direct impact on investment performance.
 - Investment manager performance goes through cycles and cycles imply reversion.

Investment and Manager Monitoring

Monitoring of MERS investments and investment managers is a critical function of the Office of Investments. It is a constant and deliberate activity that provides historical context, market information, and relevant data that can be relied upon for effective portfolio management decisions. In addition to ensuring that MERS receives accurate reporting submitted on a timely basis to the custodial book of record, monitoring of portfolio investments provides the Office of Investments with important quantitative and qualitative information upon which manager retention and termination decisions are made.

Investment and manager monitoring differs slightly between public market investments and private markets investments, given the different nature of the investments. Public markets investments are typically priced daily and are much more liquid than private markets, hence reporting can be completed shortly following the end of reporting periods and investment management agreements can be ended routinely at the discretion of MERS. Private market investments are not typically traded in open markets, and, therefore, lack daily pricing, which creates elongated reporting time frames. Additionally, management contracts for private market investments typically cover extended periods of time where the investment manager has broad discretion over when to buy or sell an investment, and MERS capital is committed for long periods of time with limited interim liquidity. Given these differences, monitoring requirements for public and private market investments are outlined below.



Public Market Investments

- Receipt of monthly and/or quarterly reporting materials within time frames established in investment management agreements and MERS Investment Guidelines;
- Quarterly detailed review of manager/strategy performance by Office of Investments staff;
- In-person manager meetings not less than once every year; and
 - At least one meeting every two years shall be on-site at the manager's office.
 - Other meetings shall occur at MERS office or a mutually determined off-site location.
 - Meeting requirements for managers who are in the process of closing their funds or in final disposition of fund assets shall be at the discretion of the Office of Investments.
- Periodic update calls as determined by the Office of Investments or Investment Committee.

Private Market Investments

- Receipt of quarterly capital account statements (and financial statements, if applicable) within time frames established in limited partnership agreements, investment management agreements, shareholder agreements, or other investment governance documents;
- Quarterly reporting in the format commonly known as the Institutional Limited Partners Association (ILPA) template, as applicable;
- Quarterly review of performance by Office of Investments staff;
- In-person meetings not less than once every two years, as detailed below:
 - Attendance at an annual partnership meeting, advisory board meeting, or on-site at the location of an investment shall satisfy this requirement;
 - Private placements (direct investments) require one on-site meeting every calendar year; and
 - Meeting requirements for investments in a wind-down or termination process shall be at the discretion of the Office of Investments.
- For private placements and investments held directly by MERS outside of a partnership structure (a "Private Investment"), where public market prices are not available, the Fair Market Value shall be determined as follows:
 - If a recent transaction involving a material amount of equity in a Private Investment has occurred, Fair Market Value may be determined from the pricing of the recent transaction according to rights and ownership percentages;
 - If a valuation is provided by an external manager of the investment or if MERS position in the Private Investment is alongside an established fund manager, MERS may utilize the market valuation as the Fair Market Value as long as the Office of Investments reviews the valuation approach and agrees with the methodology contained therein;
 - If a manager provided valuation is not available, then the Office of Investments will arrange for a third party valuation firm to establish a baseline valuation in accordance with GASB 72 and FASB Statement ASC 820 for each Private Investment as follows:
 - o Private Investments acquired between January 1 - June 30 of each calendar year – Baseline valuations shall be done prior to December 31 of that year or
 - o Private Investments acquired between June 30 - December 31 of each calendar year – Baseline valuations shall be done prior to June 30 of the following year;

Investment Policy Statement

Defined Benefit Plan

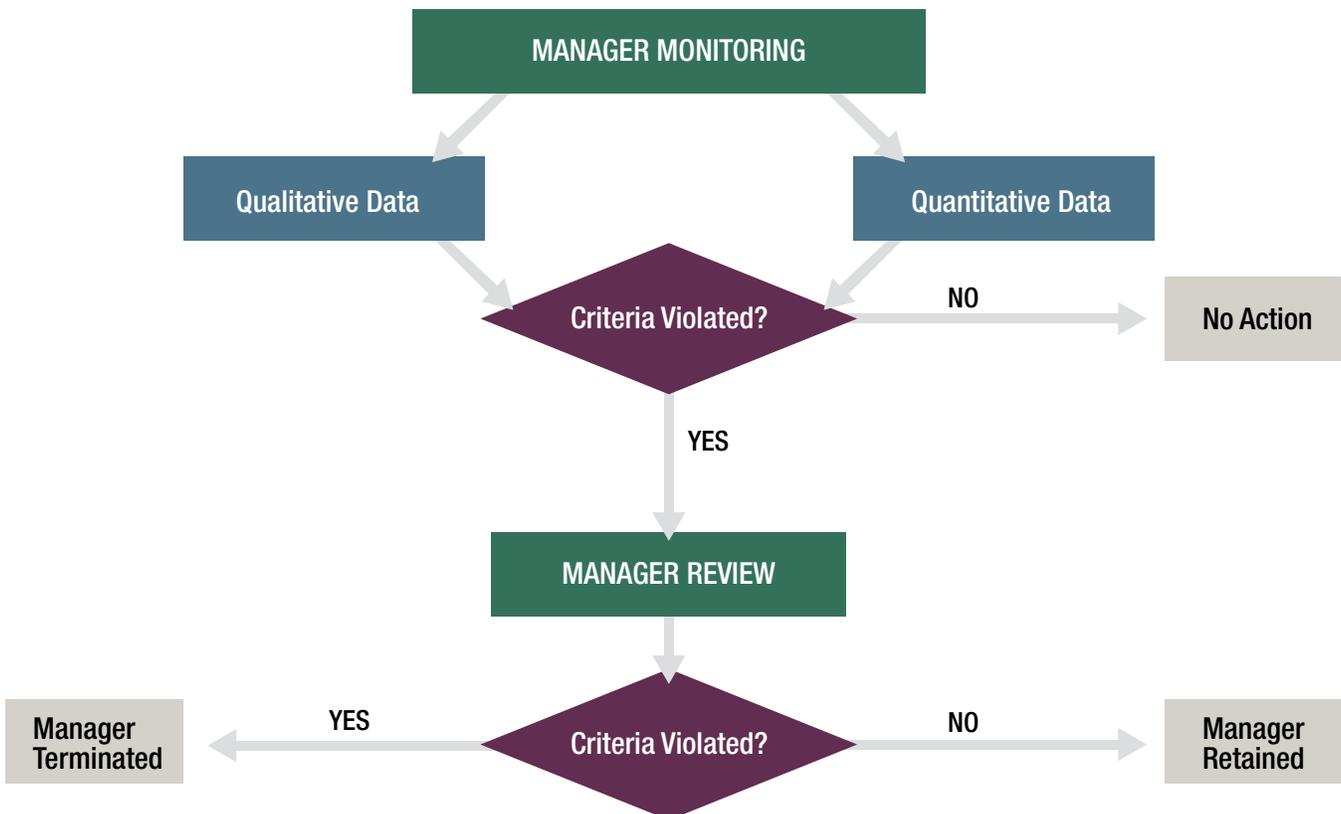


- Baseline valuations will be evaluated by the Valuation Committee not less than annually. Should the Valuation Committee determine that there has been a material change in the baseline value, a new third party baseline valuation report will be ordered. Such new baseline valuation will be reported to the custodial bank as the new Fair Market Value of said Private Investment; and
- If the Valuation Committee determines that the baseline valuation has not changed materially, a new baseline report shall not be required until December 31 of the 3rd year following the baseline valuation. The new baseline valuation shall then be reported to the custodial bank as the new Fair Market Value.
- Deviations from this policy (for example if a sale of an investment is pending or if a financing transaction is in progress) shall be documented and reviewed by the Valuation Committee; and
- Periodic update calls as determined by the Office of Investments or Investment Committee.

Comprehensive Manager Reporting

The Office of Investments shall annually prepare for the Board a comprehensive annual performance of managers (CAPM) report. The report will include a high level summary of each manager's strategy, various qualitative assessments, and supporting performance analytics.

Investment Manager Retention Policy Manager Monitoring and Retention Process





Investment manager retention and termination decisions have high costs whether it be the decision to retain unskilled managers for too long or the decision to terminate a skilled manager prematurely. Not only are the costs of redeploying assets considerable, but the variability of most manager returns complicates straightforward evaluations of manager skill. Without reliable assessments of manager skill, MERS has little assurance that a new manager will perform better than a previously terminated manager.

This policy provides a systematic, consistent, and rational framework for manager retention and termination decisions, thereby avoiding untimely actions that may adversely impact the Fund's returns. In addition, the policy is intended to:

- Foster a long-term approach to manager evaluations;
- Provide a logical and consistent framework to evaluate manager skill;
- Improve client/manager communication by apprising each manager of the quantitative and qualitative standards by which they will be judged, and the near-term and long-term consequences of failing to meet these standards;
- Promote timely and appropriate responses to actual and potential performance issues; and
- Provide flexibility to allow application across all asset classes, management styles, and market environments.

Although quantitative assessments of manager success are useful in judging whether managers have been successful in the past, they can be poor predictors of future success. Since MERS' goal is to determine the likelihood of future success, it is critical that the ultimate retention/termination decision focus on the qualitative aspects of each manager relationship as well as quantitative assessments of past performance.

Qualitative Assessments

The qualitative aspects of each manager relationship will be monitored through frequent oral and written contacts by a MERS investment officer or investment analyst with each manager. Qualitative assessments will focus on organizational and staff stability, adherence to investment philosophy and process, asset/client turnover, the quality of client service (value add), and the cultural fit with MERS.

A significant and potentially adverse event related to, but not limited to, any of the following qualitative issues or events will generally result in a low qualitative score on the annual manager evaluation or cause the Office of Investments to place the manager on Probation, depending on the severity of the event or issue. Red flags may include:

- A significant change in firm ownership and/or structure;
- The loss of one or several key personnel;
- A significant loss of clients and/or assets under management;
- A profound shift in the firm's philosophy or process;
- A significant and persistent lack of responsiveness to MERS' requests;
- A change in MERS' capital market beliefs that eliminates the need for a particular manager's investment style or strategy;
- A significant decrease in the quality or volume of deal flow and/or a marked change in the



- investment types or deal terms negotiated by the manager;
- Violations of MERS' Investment Guidelines; and
- Material adverse legal or regulatory proceedings and violations.

Quantitative Assessments

The manager evaluation process should focus on the above qualitative factors, and be supplemented with diligent quantitative review. The quantitative review should not only focus on performance, but also on a variety of metrics which should include appropriate peer comparisons, multiple investment cycles (if applicable), and risk assessment. The illiquid and long-term nature of private market investments necessitates a different quantitative assessment methodology from that utilized in the public markets. The sections below describe in detail the methodologies employed in public and private market manager performance evaluations.

Public Market Managers — Because of the large degree of variability in manager returns, it is often very difficult to assess whether a manager's over/under performance is the product of randomness or true investment skill. MERS' quantitative skill analysis considers the variability of a manager's excess return, in addition to the absolute magnitude of the excess return, when making judgments about manager skill. Skilled managers often have periods of underperformance, just as unskilled managers often experience periods of overperformance. Over long time periods, however, skilled managers will produce a larger average excess return more frequently than their unskilled peers. Skilled managers will also have greater risk adjusted returns than their unskilled counterparts.

- **Active Managers** — MERS will utilize a variety of statistical performance measures over various time periods when analyzing manager performance and assessing skill. These measures include, but are not limited to the following:
 - Cumulative and rolling returns;
 - Cumulative and rolling excess returns;
 - Cumulative and rolling performance analysis graphs;
 - Upside/downside capture ratios;
 - Information ratio;
 - Alpha and beta;
 - Standard deviation and tracking error;
 - Risk-adjusted performance;
 - Peer universe comparisons;
 - Maximum drawdown;
 - R-squared; and
 - T-statistic and significance level.
- **Passive Managers** — The skill analysis methodology applied to MERS' active management strategies is inappropriate for passive management strategies because of the low variability of manager returns and a zero alpha expectation. Enhanced passive strategies with explicit alpha expectations will be considered active management strategies for the purposes of monitoring performance. As such, enhanced passive strategies will be subject to the "Active Manager" performance guidelines outlined in this policy.

Private Market Managers — Annually after each calendar year end, the Office of Investments will



evaluate each private market manager's performance relative to its performance objective and, when appropriate, to an asset class benchmark. In general, staff will utilize a rolling seven-year evaluation period for MERS' private market investments, and such quantitative analysis shall be factored into the manager's annual evaluation score as prepared for the CAPM.

Courses of Action

In addition to identifying existing and potential problems, an important purpose of the investment manager retention policy is to outline how and when MERS addresses specific issues and events. Judgments as to whether a manager has achieved MERS' investment objectives, and whether a manager will achieve MERS' investment objectives in the future, ultimately rest with the Office of Investments and the IC. Accordingly, the Office of Investments and the IC reserve the right under this policy to pursue, at any time, any course of action in response to absolute, relative, historic, or perceived future investment performance.

Depending on the significance of the issue or event, the following are four possible courses of actions:

- Take no formal action and continue to monitor the situation;
- Place the manager on Probation;
- Initiate a Comprehensive Review; or
- Under extraordinary circumstances, terminate the manager immediately without a Comprehensive Review.

Probation

A manager will be placed on Probation by the PRC as a result of a significant and potentially adverse development involving the manager- either quantitative or qualitative. Probation communicates to the manager MERS' concern about a particular situation. The Office of Investments will meet with the manager within 90 days of being placed on Probation to discuss the situation. A manager will remain on Probation until the issue is resolved to MERS' satisfaction as determined by the PRC. MERS will provide notification to the manager at the beginning and end of the Probation process.

Comprehensive Review

A manager will be placed on Comprehensive Review if its annual overall score for the CAPM scorecard, is rated 2 or below. This score reflects serious underperformance of a manager relative to its benchmark or a significant and adverse change to the manager's organization, personnel, or investment process. These events cause the Office of Investments to seriously question the firm's ability to achieve MERS investment objectives in the future. A Comprehensive Review is a thorough, in-depth, due diligence effort, similar in scope to MERS' manager selection process. It explores all elements of a manager's organization, personnel, and investment philosophy/process. Comprehensive Reviews will be completed within 90 days of initiation. In undertaking a Comprehensive Review, the Office of Investments is ultimately trying to answer the question: **Should the firm be rehired today given the current events and prevailing circumstances?** Thus, the outcome of a Comprehensive Review is a decision to retain or terminate the manager. Therefore, the Comprehensive Review will entail the same criteria outlined in the Manager Due Diligence and Selection process and will focus on whether the firm currently embodies the relevant characteristics to provide reasonable assurance that MERS' investment objectives will be achieved in the future. MERS will provide notification to the manager at the beginning and end of the Comprehensive Review process.

Other Termination Conditions

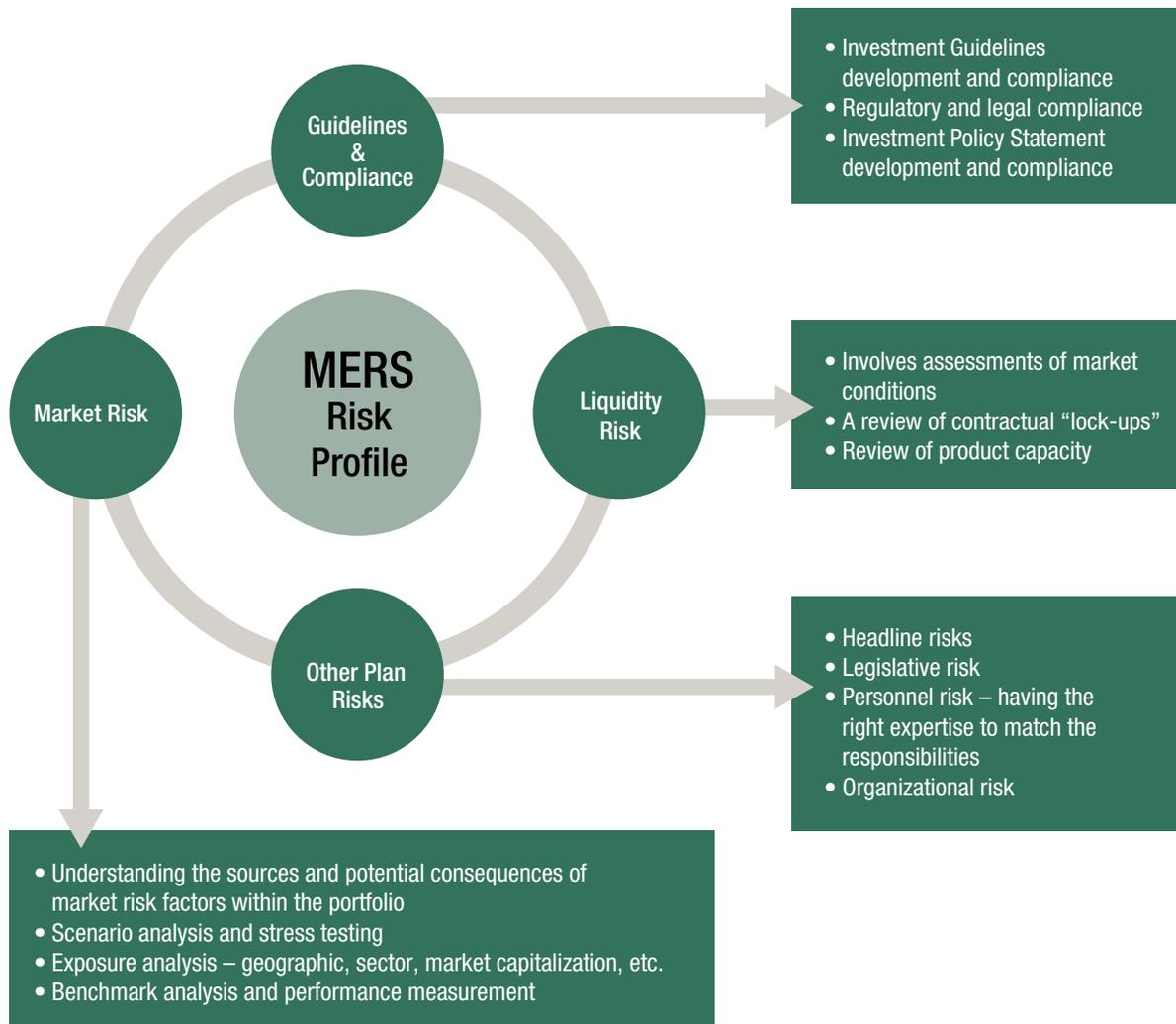
Going forward MERS investment management contracts must permit MERS to terminate the manager, with or without cause, after written notice (no-fault termination). Any investment management contract must also permit MERS to terminate a manager for cause upon learning of a manager's malfeasance or breach of contract.

The nature of certain private market investment vehicles may severely restrict or prohibit the immediate withdrawal of funds and/or the transfer of assets to another manager. In such cases, the decision to terminate a manager may be impractical and, therefore, MERS' actions may be limited to filing a withdrawal request with the manager and waiting until the investments can be liquidated in a prudent manner, or seeking other disposition strategies.

IX. RISK MANAGEMENT AND CONTROLS

For a public pension plan, risk management is a broad concept that touches every aspect of the Fund's management. Sound risk management involves identifying the various risks and mitigating unintended or undesired risks to the extent possible. This requires in-depth analysis of both processes and portfolio positions. The goal is to ensure that all risks are adequately compensated and appropriate for the stated objectives and market environment. MERS has established an Investment Management Risk and Compliance committee as the formal oversight body at the enterprise level, which monitors operational, market, and regulatory issues that could have a material impact upon portfolio performance or put MERS at risk to regulatory sanctions.

Risk Management Framework





Market Risk

The largest source of risk for the Fund is market risk. Market risk is unavoidable as it affects every asset class within the Fund. There is a general understanding that each asset class exhibits a variety of different risk factors relating to market risk. The most notable forms of market risk include:

- Equity risk;
- Interest rate risk;
- Inflation risk;
- Credit risk;
- Currency risk; and
- Asset/liability interaction.

As asset managers, it is important to assess how each factor is likely to perform in different economic and capital market environments. The way in which these risk factors interact within the Fund can then be evaluated and managed accordingly. The simplest way to mitigate market risk is through diversification. Thus, the bulk of staff time is spent on developing the strategic asset allocation and selecting managers to carry out the desired asset allocation. The manager selection process includes a thorough review of each manager's risk management and controls to ensure that they are adequate. When assessing market risk at the total Fund level, the two main questions to be answered are:

1) how much risk is present in the portfolio, and 2) where are the risks? A combination of tools are utilized to monitor and quantify the various market risks present in the Fund. Stress testing and scenario analysis is conducted to evaluate the impact of various market risk factors as well as potential worst case outcomes.

Guidelines and Compliance

The development of guidelines and compliance with those guidelines is an essential component of risk management. The manager selection process includes a thorough review of each manager's internal controls and compliance procedures to ensure adequacy. In addition to State Street's compliance team and resources, in-house compliance processes and reports have been established to monitor each manager's portfolio. The Office of Investments regularly monitors all compliance reports for any significant deviations or breach of stated guidelines. Guidelines and expectations for each manager are reviewed and updated on an annual basis. Each public market investment manager with a separately managed account structure is required to adhere to the Investment Guidelines Requirements for investment strategies that are not separately managed accounts are covered in the strategy's contract documents.

Liquidity Risk

The most straightforward measure of liquidity risk is the deficiency of cash to meet current liabilities. However, a second issue relating to liquidity risk is the opportunity cost relating to the inability to source cash in order to rebalance or take advantage of investment opportunities. The Office of Investments analyzes every investment in terms of the impact it will have on the Fund's overall liquidity. Liquidity risk is mitigated by maintaining a dedicated allocation to cash and other high quality, liquid securities. In order to monitor portfolio liquidity, a report has been developed which breaks down the Fund's allocation in terms of days to liquidate. Special attention is paid to contractual lockups that restrict the ability to access capital.



Other System Risks

In addition to previously stated risks, there are several other System risks that must be managed. These risks range from legislative pressures that may adversely affect the System's structure or employee participation. Headline risk from a media event will have an adverse effect on the System and cause members to react negatively before they understand the issue.

X. SHAREHOLDER ACTIVITY

Proxy Voting

Proxy voting is considered an extension of the portfolio management process with the objective to maximize long-term investment performance. External managers are responsible for voting proxies on behalf of MERS. A third-party Proxy Voting Agent has been contracted to perform all proxy voting and record keeping functions for MERS' internally managed portfolios. The Proxy Voting Agent will vote all proxies in accordance with Glass Lewis Guidelines and PERSIA. Glass Lewis is a leading, independent governance services firm that provides proxy research and vote management services to more than 1,200 clients throughout the world. Glass Lewis serves only institutional clients, for which it actively engages with regulators, investors, issuers, and other stakeholders across the globe for proxy management.

Generally speaking, proxies are voted in accordance with management's recommendation except in circumstances where the proposal could adversely affect shareholder value. The Office of Investments will make a best effort to identify such issues. Examples of such exceptions include but are not limited to the following:

- Anti-takeover amendments such as fair price provisions and staggered Board provisions;
- Poison pill provisions designed to discourage another entity from seeking control;
- Greenmail attempts;
- Golden parachutes and related management entrenchment measures; and
- Oversized stock option grants and strike price revisions.

The Office of Investments may add or remove proxy voting restrictions or allowances at its discretion, and shall report any changes to the Board. The Board acknowledges its fiduciary responsibility to vote proxies in a timely manner and maintain accurate records of all proxy voting activity in compliance with all applicable laws.

Class Action Lawsuits

As an institutional investor, MERS is frequently a class member in securities fraud class actions that seek to recover damages resulting from alleged wrongful acts or omissions of others. MERS General Counsel monitors class action filings and evaluates litigation options on an on-going basis, pursuant to a written securities litigation policy, to ensure that the interests of the System's participants are protected.



XI. INVESTMENT PROGRAMS

Internal Cash Pool

Residual cash of the Fund is pooled into one account at the custodial bank. The cash pool is invested in the custodial bank's Short Term Investment Fund (STIF). Cash in the pool may be used as collateral for tactical investments employed by the System, such as swaps, futures, etc. Portions of the cash pool can be segregated and invested to meet the specific requirements of such investment strategies or invested in fixed income securities. The cash pool is actively managed by the Office of Investments.

Securities Lending

The System utilizes a securities lending program through its custodial bank, in accordance with Section 20e of PERSIA, MCL 38.1140e. The goal of the securities lending program is to increase Fund income and to offset investment management-related expenses.

Investment Procedures/Reporting Calendar

DAILY	<ul style="list-style-type: none"> • Investment Guidelines compliance monitoring (Office of Investments & State Street) • Capital call and distribution processing (Office of Investments & State Street) • Asset allocation monitoring (Office of Investments & Parametric) • Daily performance reporting (State Street) • Cash flow reconciliation (Office of Investments & State Street) • Trade settlement (Office of Investments & State Street)
WEEKLY	<ul style="list-style-type: none"> • Bi-weekly PRC meeting (Office of Investments)
MONTHLY	<ul style="list-style-type: none"> • Account reconciliation (Office of Investments, State Street, & Managers) • Monthly performance reporting (State Street) • MERS performance reporting to Board (Office of Investments) • Pay pension voucher (Office of Investments) • Investment Committee conference call or meeting (Office of Investments & Investment Committee)
QUARTERLY	<ul style="list-style-type: none"> • Asset allocation review and rebalancing (Office of Investments) • Manager style, risk, and performance review (Office of Investments & State Street) • Calls with managers for portfolio, economic, and market updates (Office of Investments & Managers) • Review of DC program and fund lineup (Office of Investments) • Report on DB/participant directed accounts and institutional funds portfolio activity (Office of Investments) • Pay investment management fees (Office of Investments)
YEARLY	<ul style="list-style-type: none"> • Fee and expense analysis (Office of Investments) • Asset allocation review and rebalancing (Office of Investments) • Comprehensive Annual Performance of Managers (CAPM) presentation to the Board • Investment Guidelines update and Board approval (Office of Investments, Investment Committee, & Board) • Investment Policy Statement update and Board approval (Office of Investments, Investment Committee, & Board) • Benchmarking for peer comparison purposes (Office of Investments & outside vendors) • Annual audit (Office of Investments & External Auditor) • CAFR preparation (Office of Investments)
THREE YEARS	<ul style="list-style-type: none"> • Asset allocation study (Office of Investments)
FIVE YEARS	<ul style="list-style-type: none"> • Actuarial experience study (Actuary)



CODE OF ETHICS AND STANDARDS OF PROFESSIONAL CONDUCT

PREAMBLE

The CFA Institute Code of Ethics and Standards of Professional Conduct are fundamental to the values of CFA Institute and essential to achieving its mission to lead the investment profession globally by promoting the highest standards of ethics, education, and professional excellence for the ultimate benefit of society. High ethical standards are critical to maintaining the public's trust in financial markets and in the investment profession. Since their creation in the 1960s, the Code and Standards have promoted the integrity of CFA Institute members and served as a model for measuring the ethics of investment professionals globally, regardless of job function, cultural differences, or local laws and regulations. All CFA Institute members (including holders of the Chartered Financial Analyst® [CFA®] designation) and CFA candidates must abide by the Code and Standards and are encouraged to notify their employer of this responsibility. Violations may result in disciplinary sanctions by CFA Institute. Sanctions can include revocation of membership, revocation of candidacy in the CFA Program, and revocation of the right to use the CFA designation.

THE CODE OF ETHICS

Members of CFA Institute (including CFA charterholders) and candidates for the CFA designation ("Members and Candidates") must:

- Act with integrity, competence, diligence, respect and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets.
- Place the integrity of the investment profession and the interests of clients above their own personal interests.
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities.
- Practice and encourage others to practice in a professional and ethical manner that will reflect credit on themselves and the profession.
- Promote the integrity and viability of the global capital markets for the ultimate benefit of society.
- Maintain and improve their professional competence and strive to maintain and improve the competence of other investment professionals.

STANDARDS OF PROFESSIONAL CONDUCT

I. PROFESSIONALISM

- A. Knowledge of the Law.** Members and Candidates must understand and comply with all applicable laws, rules, and regulations (including the CFA Institute Code of Ethics and Standards of Professional Conduct) of any government, regulatory organization, licensing agency, or professional association governing their professional activities. In the event of conflict, Members and Candidates must comply with the more strict law, rule, or regulation. Members and Candidates must not knowingly participate or assist in and must dissociate from any violation of such laws, rules, or regulations.
- B. Independence and Objectivity.** Members and Candidates must use reasonable care and judgment to achieve and maintain independence and objectivity in their professional activities. Members and Candidates must not offer, solicit, or accept any gift, benefit, compensation, or consideration that reasonably could be expected to compromise their own or another's independence and objectivity.

- C. Misrepresentation.** Members and Candidates must not knowingly make any misrepresentations relating to investment analysis, recommendations, actions, or other professional activities.
- D. Misconduct.** Members and Candidates must not engage in any professional conduct involving dishonesty, fraud, or deceit or commit any act that reflects adversely on their professional reputation, integrity, or competence.

II. INTEGRITY OF CAPITAL MARKETS

- A. Material Nonpublic Information.** Members and Candidates who possess material nonpublic information that could affect the value of an investment must not act or cause others to act on the information.
- B. Market Manipulation.** Members and Candidates must not engage in practices that distort prices or artificially inflate trading volume with the intent to mislead market participants.

III. DUTIES TO CLIENTS

- A. Loyalty, Prudence, and Care.** Members and Candidates have a duty of loyalty to their clients and must act with reasonable care and exercise prudent judgment. Members and Candidates must act for the benefit of their clients and place their clients' interests before their employer's or their own interests.
- B. Fair Dealing.** Members and Candidates must deal fairly and objectively with all clients when providing investment analysis, making investment recommendations, taking investment action, or engaging in other professional activities.
- C. Suitability.**
- When Members and Candidates are in an advisory relationship with a client, they must:
 - Make a reasonable inquiry into a client's or prospective client's investment experience, risk and return objectives, and financial constraints prior to making any investment recommendation or taking investment action and must reassess and update this information regularly.
 - Determine that an investment is suitable to the client's financial situation and consistent with the client's written objectives, mandates, and constraints before making an investment recommendation or taking investment action.
 - Judge the suitability of investments in the context of the client's total portfolio.
 - When Members and Candidates are responsible for managing a portfolio to a specific mandate, strategy, or style, they must make only investment recommendations or take only investment actions that are consistent with the stated objectives and constraints of the portfolio.
- D. Performance Presentation.** When communicating investment performance information, Members and Candidates must make reasonable efforts to ensure that it is fair, accurate, and complete.
- E. Preservation of Confidentiality.** Members and Candidates must keep information about current, former, and prospective clients confidential unless:
- The information concerns illegal activities on the part of the client or prospective client,
 - Disclosure is required by law, or
 - The client or prospective client permits disclosure of the information.

IV. DUTIES TO EMPLOYERS

- A. Loyalty.** In matters related to their employment, Members and Candidates must act for the benefit of their employer and not deprive their employer of the advantage of their skills and abilities, divulge confidential information, or otherwise cause harm to their employer.
- B. Additional Compensation Arrangements.** Members and Candidates must not accept gifts, benefits, compensation, or consideration that competes with or might reasonably be expected to create a conflict of interest with their employer's interest unless they obtain written consent from all parties involved.
- C. Responsibilities of Supervisors.** Members and Candidates must make reasonable efforts to ensure that anyone subject to their supervision or authority complies with applicable laws, rules, regulations, and the Code and Standards.

V. INVESTMENT ANALYSIS, RECOMMENDATIONS, AND ACTIONS

- A. Diligence and Reasonable Basis.** Members and Candidates must:
- Exercise diligence, independence, and thoroughness in analyzing investments, making investment recommendations, and taking investment actions.
 - Have a reasonable and adequate basis, supported by appropriate research and investigation, for any investment analysis, recommendation, or action.
- B. Communication with Clients and Prospective Clients.** Members and Candidates must:
- Disclose to clients and prospective clients the basic format and general principles of the investment processes they use to analyze investments, select securities, and construct portfolios and must promptly disclose any changes that might materially affect those processes.
 - Disclose to clients and prospective clients significant limitations and risks associated with the investment process.
 - Use reasonable judgment in identifying which factors are important to their investment analyses, recommendations, or actions and include those factors in communications with clients and prospective clients.
 - Distinguish between fact and opinion in the presentation of investment analysis and recommendations.
- C. Record Retention.** Members and Candidates must develop and maintain appropriate records to support their investment analyses, recommendations, actions, and other investment-related communications with clients and prospective clients.

VI. CONFLICTS OF INTEREST

- A. Disclosure of Conflicts.** Members and Candidates must make full and fair disclosure of all matters that could reasonably be expected to impair their independence and objectivity or interfere with respective duties to their clients, prospective clients, and employer. Members and Candidates must ensure that such disclosures are prominent, are delivered in plain language, and communicate the relevant information effectively.
- B. Priority of Transactions.** Investment transactions for clients and employers must have priority over investment transactions in which a Member or Candidate is the beneficial owner.
- C. Referral Fees.** Members and Candidates must disclose to their employer, clients, and prospective clients, as appropriate, any compensation, consideration, or benefit received from or paid to others for the recommendation of products or services.

VII. RESPONSIBILITIES AS A CFA INSTITUTE MEMBER OR CFA CANDIDATE

- A. Conduct as Participants in CFA Institute Programs.** Members and Candidates must not engage in any conduct that compromises the reputation or integrity of CFA Institute or the CFA designation or the integrity, validity, or security of the CFA Institute programs.
- B. Reference to CFA Institute, the CFA Designation, and the CFA Program.** When referring to CFA Institute, CFA Institute membership, the CFA designation, or candidacy in the CFA Program, Members and Candidates must not misrepresent or exaggerate the meaning or implications of membership in CFA Institute, holding the CFA designation, or candidacy in the CFA program.

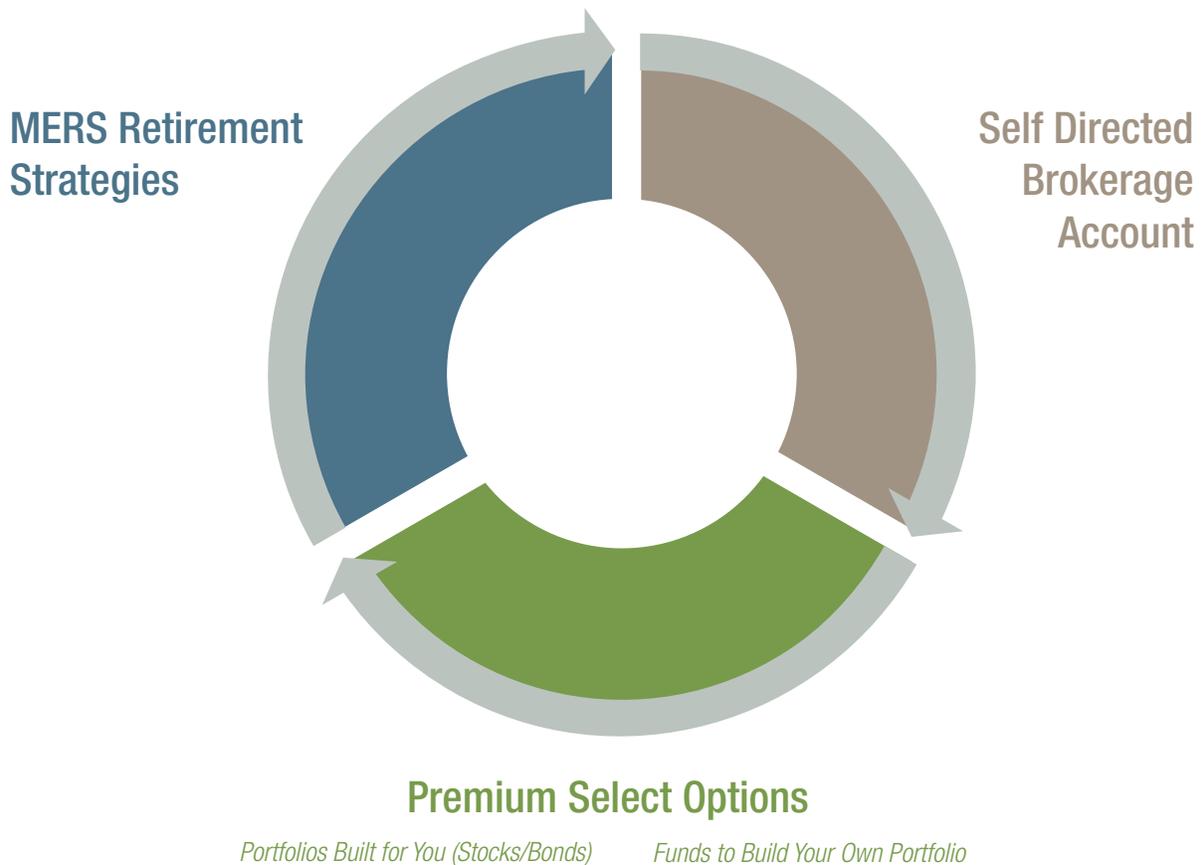


Investment Policy Statement:

Participant Directed
Accounts and Institutional
Funds

Investment Policy Statement: Participant Directed Accounts & Institutional Funds

Board Approved on January 31, 2018



MISSION STATEMENT

The Municipal Employees' Retirement System of Michigan (MERS) exists to provide quality retirement and related services with cost-effective plan administration for members and beneficiaries.

1134 Municipal Way | Lansing, MI 48917 | 800.767.6377 | www.mersofmich.com

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I. INTRODUCTION

The Municipal Employees' Retirement System of Michigan (MERS) is an independent, professional retirement services company that was created to administer the retirement plans for Michigan municipalities on a not-for-profit basis. MERS is a statewide voluntary organization that was created in 1945 by the Michigan Legislature. In 1996, the System was granted independence by the Legislature.

MERS offers a Defined Benefit Plan (DB), Defined Contribution Plan (DC), Hybrid Plan, Health Care Savings Program (HCSP), 457 Deferred Compensation Program (457), Retiree Health Funding Vehicle (RHFV), and Investment Services Program (ISP) (the "Plans").

The Retirement Board (Board) has delegated all investment management operations and activities to the Chief Executive Officer (CEO) and the Board's Investment Committee, except those specifically reserved by the Board. The CEO is directly responsible for all day-to-day activities of MERS. The CEO has delegated management of MERS' trust assets to the Office of Investments, including all investment management activities. The MERS Investment Policy Statement (IPS) for the Institutional Funds (RHFV and ISP) and Participant Directed Accounts (DC, DC portion of Hybrid, HCSP, 457) sponsored by MERS has been adopted by the Board to provide guidelines for the structure, selection, and monitoring of the investment options provided under these programs. All transactions undertaken on behalf of the Plans shall be for the sole interest of the Plans' participants and beneficiaries. Participants will be provided the opportunity to obtain sufficient information to make informed decisions with regard to investment options under the Plans.

II. PURPOSE

The purpose of this IPS is to set forth the general investment policies that the Board has determined to be appropriate and prudent in consideration of the needs of the Institutional Funds and Participant Directed Account Programs sponsored by MERS. It outlines the underlying philosophies and process for the selection, monitoring, and evaluation of the investment choices and investment managers utilized by the Institutional Funds and Participant Directed Account Programs.

The Board shall have sole discretion to interpret this IPS. The Board reserves the right at any time to amend, supplement, rescind, grant exceptions to, or deviate from the IPS as and when, in its sole discretion, it is prudent to do so. The IPS will be reviewed annually and amended as appropriate. This IPS is limited to investment matters. It does not purport to address any duties or responsibilities with respect to the adoption, revision, administration, or any other aspect of any of MERS' Plans, including, but not limited to, their operation and compliance with all applicable tax laws.

III. ROLES & RESPONSIBILITIES

The following describes the investment related roles and responsibilities of key stakeholders within the Institutional Funds and Participant Directed Account Programs.

Retirement Board

The Board is the sole fiduciary for MERS' institutional funds and participant directed retirement accounts with respect to establishing, monitoring, and amending the various Plans investment lineup and will



execute its duties solely in the interest of the Plans and their participants and beneficiaries, with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character, and with like aims. The Board has delegated day-to-day administration of the system to the CEO, including vendor hiring and termination. The Board has the following duties:

1. Establish, review, amend, and oversee MERS' various retirement product plan documents;
2. Establish, review, and amend MERS' policies, including investment policies;
3. Establish and oversee Board committees, including the Investment Committee;
4. Monitor the administration of MERS, its products, and its vendors, including, the custodian and record keeper; and
5. Direct the MERS staff to provide investment education and communication materials to assist decision-makers (participants and sponsors) in making informed investment elections with respect to their accounts

Investment Committee

With respect to the Institutional Funds and Participant Directed Account Plans, the Board tasked the Investment Committee with the following duties:

1. Prepare, maintain, monitor adherence to, and amend the IPS as necessary and advisable;
2. Determine the appropriate default investment option for the DC, 457, and HCSP Plans;
3. Consider, recommend, and implement changes to the investment programs of the Institutional Funds and Participant Directed Account Programs;
4. Determine the overall number and types of options offered, focusing on easily understandable plan design, so participants have a greater likelihood of achieving their financial goals through a diversified portfolio given their individual investment risk tolerance; and
5. Monitor the operations of the Office of Investments with respect to the Institutional Funds and Participant Directed Account Programs.

Office of Investments

The Office of Investments, under the supervision of the CEO, has been authorized by the Board to oversee the investment of MERS' assets and direct all investment management activities. In compliance with its fiduciary obligations, the Office of Investments shall act with the care, skill, prudence, and diligence that a prudent person acting in a similar capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with similar aims, and will do the following:

1. Recommend the overall number and types of options offered, focusing on easily understandable plan design, so participants have a greater likelihood of achieving their financial goals through a diversified portfolio given their individual investment risk tolerance;
2. Establish due diligence procedures for selecting, monitoring, and eliminating investment choices offered to participants of the Plans;
3. Select and appoint outside auditors, consultants, or specialists as may be determined necessary from time to time;
4. Monitor and supervise custodian and all investment management service providers;
5. Respond to requests for information from the Board in a timely manner;
6. Provide the Board with necessary information to carry out its fiduciary duty;



7. Provide periodic reports to the Board on the activity and results of the Plans' investments, including investment performance, investment choice additions/subtractions, and relevant industry issues;
8. Review general adherence to this IPS;
9. Select, review, and evaluate the investment options available under the Plans;
10. Construct and manage investment portfolios consistent with the investment philosophy, style, and discipline deemed prudent to provide sufficient investment options for participants to prudently diversify his/her individual accounts;
11. Avoid prohibited transactions and conflicts of interest; and
12. Participate in the periodic review of the reasonableness of the fees and expenses incurred by the Plans for record keeping, investment management, and custodial services.

Record Keeper

The record keeper is responsible for performing the following, as well as other agreed upon activities, in conjunction with the Plans, the record keeper contract, and statutory provisions:

1. Maintain a participant database, which includes fund elections, account balances, and any other data required by the record keeper to perform its daily recordkeeping and custodial duties and is used by MERS to perform necessary business;
2. Accommodate MERS investment selection and pricing structure, applying fees to participant accounts according to amount and frequency determined by MERS;
3. Through a working interface for trading and reconciliation maintained with any MERS designated custodian, reconcile all contributions to deposits;
4. Ensure deposits are properly allocated to specific investment options according to participant elections; and
5. Produce quarterly statements and ensure online access for individual participants through a secure system with 24/7 access to statements detailing beginning balances, all transactions for the statement period, contributions received, and ending balances as required by governing regulations.

Custodian

The custodial bank (custodian) is responsible for performing the following, as well as other agreed-upon activities, in conjunction with the Plans, the custody contract, and statutory provisions:

1. Fulfill all regular fiduciary duties of a custodian, as required by applicable state and federal laws;
2. Safeguard custody Plan assets, ensure timely settlement of security transactions, and credit all income and principal realizable by the Plans in a timely manner;
3. Provide a daily sweep of uninvested cash assets in investment manager accounts into a suitable cash management vehicle, and timely and accurately calculate and report the net asset value for unitized accounts;
4. Managing the securities lending program affecting the Plans;
5. Maintain accurate reporting systems in accordance with the contract, which provide information on all monies received or paid on behalf of the Plans and on all securities under the contract including all unsettled securities transactions;



6. Timely delivery of Plan assets to a successor custodian or as otherwise directed by the Office of Investments or its designee with proper instructions upon termination;
7. Distribute promptly all proxy materials or other corporate actions received by the custodian;
8. Coordinate asset transfers as requested by the Office of Investments or its designee(s);
9. Provide fund accounting for investment options. Services include, but are not limited to, calculating net asset value (NAV), maintaining a working interface for trading and reconciliation with the Plans' record keeper, execute daily trades, execute monthly rebalancing for the investment structure, posting securities trades, and analyzing funds relative to target allocations;
10. Provide compliance monitoring services for the Plans' separate accounts; and
11. Providing all other custodial services not mentioned above necessary for the efficient investment, custody, and administration of MERS' assets.

Participants

The Plans' participants are responsible for all investment decisions and should do the following:

1. Read investment education and communication materials provided by MERS;
2. Determine his/her individual risk tolerance based upon his/her investment objective, time horizon, investment philosophy, and other individual circumstances;
3. Educate him/herself on the available investment options;
4. Design an investment plan from the available investment options that best meets his/her individual requirements and risk tolerance;
5. Manage his/her own investments by allocating assets and future contributions to the various investment options available through the Plans; and
6. Reallocate his/her investments as his/her personal circumstances and risk tolerance change.

IV. INVESTMENT OBJECTIVES

The objectives of the Plans are to accommodate the varying needs of the participants by providing appropriate and diversified investment options. The investment options will include an assortment of investment choices across a range of asset classes, risk levels, and investment strategies, at a reasonable cost. Each investment option should be an appropriate building block to forming a reasonably diversified portfolio. The Plans will encourage participants to take an active role in saving and selecting among investment options for his/her retirement by providing education and information so they can make informed investment decisions.

V. INVESTMENT OPTIONS

Participant Directed Accounts Investment Menu

This IPS establishes three different investment categories that PDA participants can use to address his/her investment needs: Retirement Strategies, Premium Select Options, and Self-Directed Brokerage Account.



Retirement Strategies (Target Date Funds)

The Retirement Strategies offer participants a simple way to invest. Each fund is named for a “target date”—the approximate year in which the participant is expected to retire and start withdrawing from their account. Funds farthest from the target dates emphasize growth potential by allocating a higher percentage of the portfolio to equities. As investors move closer to—and into—retirement, the funds automatically adjust to a more conservative asset mix. The Retirement Strategies are expected to meet the general needs of the average participant in different age groups by utilizing a glide path. A glide path represents the changes made to the asset allocation over time as the target date approaches.

The Retirement Strategies glide path shall be based on industry accepted investment theory and investment methodology as well as reasonable capital market assumptions. Plan demographics shall be taken into consideration when developing the glide path. The glide path will be monitored by the MERS Office of Investment and Investment Committee.

Premium Select Options

1. Premium Select - Asset Allocation Portfolios

The Premium Select Asset Allocation Portfolios are multi-manager investment options built to offer participants the ability to benefit from economies of scale, by utilizing investments MERS’ Defined Benefit portfolio. The options are designed so a participant can select the option that best matches his/her risk tolerance and offer attractive risk-adjusted returns at a below-market fee.

2. Premium Select - Asset Specific Funds

The Premium Select Asset Specific Funds provide a participant the ability to structure his/her own unique portfolio by allocating his/her investments to a single asset class. These options give a participant the ability to build his/her own portfolio. The funds can either be components of the MERS Defined Benefit portfolio or outside investment fund options with a preference for index based investments. Whenever an outside investment is offered, the lowest share class available to MERS will be utilized.

Self-Directed Brokerage Account

Participants who desire additional investment options and are willing to accept all risks and costs related to such alternatives can make his/her own investment decisions through the Self-Directed Brokerage Account (SDBA). The SDBA is available to participants through MERS DC or 457 programs as long as they maintain a pre-determined account balance.

Default Options

The Investment Committee will establish a default fund to allocate contributions to the DC, 457, and HCSP when a participant fails to make an investment selection for elective or employer contributions after the opportunity to do so, or when a participant is automatically enrolled in the Plan and does not make an affirmative investment election after the opportunity to do so.

The default fund will provide varying degrees of long-term appreciation and capital preservation through exposure to a mix of equity, fixed income, and diversifying investments that vary based on the participant’s age, target retirement date, life expectancy, or the characteristics of the participants in the aggregate.



1. Any default option will be managed by an investment manager or investment company registered under the Investment Company Act of 1940.
2. The Investment Committee will consider the objectives of the particular Plan when choosing an appropriate default option for each Plan.
3. A notice will be furnished to participants in advance of the first investment in the default option
4. Investment education material regarding the default option will be made available to participants.
5. Participants shall have the opportunity to direct investments out of a default option as frequently as from other investments.
6. The Office of Investments will document the decision-making process when determining an appropriate default option and will annually review the default option to ensure that it continues to satisfy the requirements for a default option.

Institutional Funds Investment Menu

This IPS establishes investment options that institutional fund employers can use to address their investment needs.

Premium Select Options

1. Premium Select - Asset Allocation Portfolios

The Premium Select Asset Allocation Portfolios are multi-manager investment options built to offer participants the ability to benefit from economies of scale, by utilizing investments MERS' Defined Benefit portfolio. The options are designed so a participant can select the option that best matches his/her risk tolerance and offer attractive risk-adjusted returns at a below-market fee.

2. Premium Select - Asset Specific Funds

The Premium Select Asset Specific Funds provide a participant the ability to structure his/her own unique portfolio by allocating his/her investments to a single asset class. These options give a participant the ability to build his/her own portfolio. The funds can either be components of the MERS Defined Benefit portfolio or outside investment fund options with a preference for index based investments. Whenever an outside investment is offered, the lowest share class available to MERS will be utilized.

VI. SELECTION & MONITORING OF INVESTMENT OPTIONS

The Office of Investments will review quarterly each of the investments and will recommend to the Investment Committee adding, removing, or changing investment managers or options as may be appropriate. Plan investment options will be selected and monitored in a manner consistent with MERS fiduciary standard. All Plan determinations will be for the sole benefit of the participants and beneficiaries in the Plan.

The Office of Investments considers a number of qualitative and quantitative factors when selecting and monitoring any investment option. The focus of the evaluation is on long-term issues related to the management of the fund. Qualitative factors may include fundamental changes in a fund manager's investment philosophy, organizational structure (e.g., manager tenure), and financial condition (including any significant changes in total assets under management). Quantitative factors may include adherence to fund objectives, performance, and expenses as detailed below. With regard to performance evaluation,

the Office of Investments will continually monitor the funds' benchmarks to ensure that they are the most appropriate for comparison purposes. No single factor will determine whether an investment option should be added, retained, or eliminated; however, certain factors may carry more weight in the final analysis.

The Office of Investments will evaluate investments based on two sets of criteria: general criteria applicable to all Plan investment options and additional criteria that are specific to certain types of investments. Outlined below are examples of factors that may be used to select and monitor the Plan's investment options. The Office of Investments may consider other factors on a case-by-case basis as it determines prudent.

General Investment Evaluation Criteria

The Office of Investments will assign each investment option a benchmark. If the option is a diversified portfolio, the benchmark will be determined by matching the underlying target asset allocation of the investment and using index returns to represent performance of the asset class. The individual asset class benchmarks are then weighted based on the asset allocation of the particular investment.

The Office of Investments will evaluate all investment options using the following criteria:

1. The ability to construct a diversified portfolio with the Plan's investment offerings;
2. Reasonableness of investment costs which may include expense ratios, revenue sharing agreements, and portfolio turnover; and
3. Performance:
 - a. Cumulative and rolling returns;
 - b. Cumulative and rolling excess returns (performance relative to benchmark);
 - c. Risk adjusted performance; and
 - d. Peer universe comparisons.

Retirement Strategies Criteria

The Office of Investments will evaluate The Retirement Strategies using the general criteria above as well as the following:

1. Asset class diversification;
2. The glide path of funds, paying close attention to the equity exposure, and slope of the glide path;
3. Rebalancing process; and
4. Changes to the demographics of the plan to consider whether the glide path is reasonable for participants.

Premium Select Asset Allocation Portfolios

The Premium Select Asset Allocation Portfolios are constructed by the Office of Investments based on an annual review, taking into consideration the expected risk and return profiles of the underlying funds. The selection and monitoring of the portfolios' underlying funds is governed by the MERS Defined Benefit Investment Policy Statement. However, the portfolios themselves will be evaluated using the general evaluation criteria above.



Premium Select Asset Specific Funds

Premium Select Asset Specific Funds will be evaluated using the general evaluation criteria above as well as the following:

1. Passively managed funds;
 - a. The fund's ability to successfully track its stated benchmark.
2. Actively managed funds; and
 - a. Stability of investment management team;
 - b. Consistency of investment philosophy and process; and
 - c. Legal and regulatory issues.
3. Stable Value Fund.
 - a. The fund's ability to successfully track its stated benchmark;
 - b. The fund's liquidity profile; and
 - c. The volatility of the funds returns (low volatility).

Self-Directed Brokerage Account Criteria

The DC and 457 plans offer a brokerage window for participants to invest his/her assets outside of MERS designated investment lineup. However, MERS is not responsible in any way for a participant's decision to invest his/her assets using the brokerage window and all such participants do so at his/her own risk.

VII. PERFORMANCE REVIEW

The Office of Investments will review quarterly each of the investment options. Specifically, the Office will focus on the following:

1. Quarterly performance report;
2. Retirement Strategies asset allocation relative to target asset allocation;
3. MERS Proprietary Portfolios asset allocation relative to target asset allocation;
4. Analyze investment management expenses of the options;
5. Suitability of investment options in relation to building a diversified portfolio; and
6. Changes within manager's organization or portfolio management team.

The Investment Committee will periodically (at least annually) review and evaluate the investment performance of the plan. The investment performance review will include comparisons against the appropriate benchmark indices and peer universe over relevant time frame. The focus of the review will be to ensure MERS is offering investment options with competitive performance over a full market cycle, which is generally five to ten years. The review will consider the amount of risk taken to achieve the results and investment fees participants pay compared to similar styled funds.

The Investment Committee will review, at least annually, the benchmarks for all costs associated with the management of the Plans. Overall Plan costs will be compared to the market on a weighted average basis.



VIII. CHANGES TO INVESTMENT OPTIONS

If during periodic review the Office of Investments determines an investment option has not met standards listed above and such failure is unlikely to be resolved, the Office will present the Investment Committee with a recommendation for termination and replacement.

The Investment Committee will review the Office of Investments' recommendation and determine if termination is appropriate, and, if so, an appropriate replacement, if applicable.

Before termination and replacement, reasonable notice will be provided to participants.

IX. PROXY VOTING

The Office of Investments is responsible for voting all proxies solicited in connection with securities held by the Plans, but may delegate to an outside service provider the responsibility to vote all proxies.

The outside service provider shall keep accurate records with respect to its voting of proxies and make those records available to MERS for review at MERS' request.

All of the Plans' equity shareholder proxies shall be voted in accordance with market standard Glass Lewis principles and requirements provided under the Public Employee Retirement System Investment Act, MCL 38.1132 et seq.

X. CUSTODY & RECORDKEEPING SELECTION

In an effort to provide the best service to participants at a competitive market price, a due diligence review process will be conducted no less than every five years from the date of implementation of the last bid contract for custody and recordkeeping services.

XI. POLICY REVIEW

This IPS will be reviewed annually for necessary modifications. The IPS shall remain in effect until revised or amended by the Board. All decisions regarding investment options, administrative issues, and communication efforts must be made for the exclusive purpose of benefiting the Plans' participants and beneficiaries.

XII. CODE OF ETHICS

The Office of Investments will conduct its affairs in a manner that reflects the highest standards of ethical conduct. The Office of Investments is expected to comply with the CFA Institute Code of Ethics and Standards of Professional Conduct. A copy of the Code and Standards is included as Appendix II.



MERS INVESTMENT MENU

Participant Directed Accounts

1 Retirement Strategies¹

- 2005 Retirement Strategy
- 2010 Retirement Strategy
- 2015 Retirement Strategy
- 2020 Retirement Strategy
- 2025 Retirement Strategy
- 2030 Retirement Strategy
- 2035 Retirement Strategy
- 2040 Retirement Strategy
- 2045 Retirement Strategy
- 2050 Retirement Strategy
- 2055 Retirement Strategy
- 2060 Retirement Strategy

2 Premium Select Options

Portfolios Built for You (Stocks/Bonds)

- MERS Total Market Portfolio
- MERS Global Stock Portfolio (100/0)
- MERS Capital Appreciation Portfolio (80/20)
- MERS Established Market Portfolio (60/40)²
- MERS Balanced Income Portfolio (40/60)
- MERS Capital Preservation Portfolio (20/80)
- MERS Diversified Bond Portfolio (0/100)

Funds to Build Your Own Portfolio

- Large Cap Stock Index
- Mid Cap Stock Index
- Small Cap Stock Index
- Emerging Market Stock
- International Stock Index
- Real Estate Stock
- Bond Index
- High-Yield Bond
- Short-Term Income
- Stable Value (DC & 457 Only)

3 Self-Directed Brokerage Account

- TD Ameritrade (DC & 457 Only)

Institutional Funds

Portfolios Built for You

- MERS Total Market Portfolio³
- MERS Global Stock Portfolio (100/0)
- MERS Capital Appreciation Portfolio (80/20)
- MERS Established Market Portfolio (60/40)
- MERS Balanced Income Portfolio (40/60)
- MERS Capital Preservation Portfolio (20/80)
- MERS Diversified Bond Portfolio (0/100)

Funds to Build Your Own Portfolio

- Large Cap Stock Index
- Mid Cap Stock Index
- Small Cap Stock Index
- Emerging Market Stock
- International Stock Index
- Short-Term Income

Note: ¹ Default investment option for DC and 457.

² Default investment option for HCSP.

³ Default investment option for RHFV and ISP.



CFA Institute

CODE OF ETHICS AND STANDARDS OF PROFESSIONAL CONDUCT

PREAMBLE

The CFA Institute Code of Ethics and Standards of Professional Conduct are fundamental to the values of CFA Institute and essential to achieving its mission to lead the investment profession globally by promoting the highest standards of ethics, education, and professional excellence for the ultimate benefit of society. High ethical standards are critical to maintaining the public's trust in financial markets and in the investment profession. Since their creation in the 1960s, the Code and Standards have promoted the integrity of CFA Institute members and served as a model for measuring the ethics of investment professionals globally, regardless of job function, cultural differences, or local laws and regulations. All CFA Institute members (including holders of the Chartered Financial Analyst® [CFA®] designation) and CFA candidates must abide by the Code and Standards and are encouraged to notify their employer of this responsibility. Violations may result in disciplinary sanctions by CFA Institute. Sanctions can include revocation of membership, revocation of candidacy in the CFA Program, and revocation of the right to use the CFA designation.

THE CODE OF ETHICS

Members of CFA Institute (including CFA charterholders) and candidates for the CFA designation ("Members and Candidates") must:

- Act with integrity, competence, diligence, respect and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets.
- Place the integrity of the investment profession and the interests of clients above their own personal interests.
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities.
- Practice and encourage others to practice in a professional and ethical manner that will reflect credit on themselves and the profession.
- Promote the integrity and viability of the global capital markets for the ultimate benefit of society.
- Maintain and improve their professional competence and strive to maintain and improve the competence of other investment professionals.

STANDARDS OF PROFESSIONAL CONDUCT

I. PROFESSIONALISM

- A. Knowledge of the Law.** Members and Candidates must understand and comply with all applicable laws, rules, and regulations (including the CFA Institute Code of Ethics and Standards of Professional Conduct) of any government, regulatory organization, licensing agency, or professional association governing their professional activities. In the event of conflict, Members and Candidates must comply with the more strict law, rule, or regulation. Members and Candidates must not knowingly participate or assist in and must dissociate from any violation of such laws, rules, or regulations.
- B. Independence and Objectivity.** Members and Candidates must use reasonable care and judgment to achieve and maintain independence and objectivity in their professional activities. Members and Candidates must not offer, solicit, or accept any gift, benefit, compensation, or consideration that reasonably could be expected to compromise their own or another's independence and objectivity.

- C. Misrepresentation.** Members and Candidates must not knowingly make any misrepresentations relating to investment analysis, recommendations, actions, or other professional activities.
- D. Misconduct.** Members and Candidates must not engage in any professional conduct involving dishonesty, fraud, or deceit or commit any act that reflects adversely on their professional reputation, integrity, or competence.

II. INTEGRITY OF CAPITAL MARKETS

- A. Material Nonpublic Information.** Members and Candidates who possess material nonpublic information that could affect the value of an investment must not act or cause others to act on the information.
- B. Market Manipulation.** Members and Candidates must not engage in practices that distort prices or artificially inflate trading volume with the intent to mislead market participants.



III. DUTIES TO CLIENTS

- A. Loyalty, Prudence, and Care.** Members and Candidates have a duty of loyalty to their clients and must act with reasonable care and exercise prudent judgment. Members and Candidates must act for the benefit of their clients and place their clients' interests before their employer's or their own interests.
- B. Fair Dealing.** Members and Candidates must deal fairly and objectively with all clients when providing investment analysis, making investment recommendations, taking investment action, or engaging in other professional activities.
- C. Suitability.**
1. When Members and Candidates are in an advisory relationship with a client, they must:
 - a. Make a reasonable inquiry into a client's or prospective client's investment experience, risk and return objectives, and financial constraints prior to making any investment recommendation or taking investment action and must reassess and update this information regularly.
 - b. Determine that an investment is suitable to the client's financial situation and consistent with the client's written objectives, mandates, and constraints before making an investment recommendation or taking investment action.
 - c. Judge the suitability of investments in the context of the client's total portfolio.
 2. When Members and Candidates are responsible for managing a portfolio to a specific mandate, strategy, or style, they must make only investment recommendations or take only investment actions that are consistent with the stated objectives and constraints of the portfolio.
- D. Performance Presentation.** When communicating investment performance information, Members and Candidates must make reasonable efforts to ensure that it is fair, accurate, and complete.
- E. Preservation of Confidentiality.** Members and Candidates must keep information about current, former, and prospective clients confidential unless:
1. The information concerns illegal activities on the part of the client or prospective client,
 2. Disclosure is required by law, or
 3. The client or prospective client permits disclosure of the information.

IV. DUTIES TO EMPLOYERS

- A. Loyalty.** In matters related to their employment, Members and Candidates must act for the benefit of their employer and not deprive their employer of the advantage of their skills and abilities, divulge confidential information, or otherwise cause harm to their employer.
- B. Additional Compensation Arrangements.** Members and Candidates must not accept gifts, benefits, compensation, or consideration that competes with or might reasonably be expected to create a conflict of interest with their employer's interest unless they obtain written consent from all parties involved.
- C. Responsibilities of Supervisors.** Members and Candidates must make reasonable efforts to ensure that anyone subject to their supervision or authority complies with applicable laws, rules, regulations, and the Code and Standards.

V. INVESTMENT ANALYSIS, RECOMMENDATIONS, AND ACTIONS

- A. Diligence and Reasonable Basis.** Members and Candidates must:
1. Exercise diligence, independence, and thoroughness in analyzing investments, making investment recommendations, and taking investment actions.
 2. Have a reasonable and adequate basis, supported by appropriate research and investigation, for any investment analysis, recommendation, or action.
- B. Communication with Clients and Prospective Clients.** Members and Candidates must:
1. Disclose to clients and prospective clients the basic format and general principles of the investment processes they use to analyze investments, select securities, and construct portfolios and must promptly disclose any changes that might materially affect those processes.
 2. Disclose to clients and prospective clients significant limitations and risks associated with the investment process.
 3. Use reasonable judgment in identifying which factors are important to their investment analyses, recommendations, or actions and include those factors in communications with clients and prospective clients.
 4. Distinguish between fact and opinion in the presentation of investment analysis and recommendations.
- C. Record Retention.** Members and Candidates must develop and maintain appropriate records to support their investment analyses, recommendations, actions, and other investment-related communications with clients and prospective clients.

VI. CONFLICTS OF INTEREST

- A. Disclosure of Conflicts.** Members and Candidates must make full and fair disclosure of all matters that could reasonably be expected to impair their independence and objectivity or interfere with respective duties to their clients, prospective clients, and employer. Members and Candidates must ensure that such disclosures are prominent, are delivered in plain language, and communicate the relevant information effectively.
- B. Priority of Transactions.** Investment transactions for clients and employers must have priority over investment transactions in which a Member or Candidate is the beneficial owner.
- C. Referral Fees.** Members and Candidates must disclose to their employer, clients, and prospective clients, as appropriate, any compensation, consideration, or benefit received from or paid to others for the recommendation of products or services.

VII. RESPONSIBILITIES AS A CFA INSTITUTE MEMBER OR CFA CANDIDATE

- A. Conduct as Participants in CFA Institute Programs.** Members and Candidates must not engage in any conduct that compromises the reputation or integrity of CFA Institute or the CFA designation or the integrity, validity, or security of the CFA Institute programs.
- B. Reference to CFA Institute, the CFA Designation, and the CFA Program.** When referring to CFA Institute, CFA Institute membership, the CFA designation, or candidacy in the CFA Program, Members and Candidates must not misrepresent or exaggerate the meaning or implications of membership in CFA Institute, holding the CFA designation, or candidacy in the CFA program.



Fund Summary Sheets

Retiree Health Funding Vehicle (RHFV) and Investment Services Program (ISP)

Performance and Fee Summary

 Online users can click on any fund name below for more detailed information.

Fund Name	Returns						Annual Expense		
	Quarter-to-date	Year-to-date	1 yr.	3 yr.	5 yr.	10 yr.	Investment ¹	Admin Fee ²	Total
Portfolios Built for You (Stocks/Bonds)									
MERS Total Market Portfolio <i>Note: 2.00% charge from amounts withdrawn/ transferred within 90 days of each contribution</i>	5.48%	5.48%	1.07%	8.06%	5.64%	9.24%	0.28%	0.18%	0.46%
MERS Global Stock Portfolio (100/0)	12.28%	12.28%	1.70%	11.47%	7.17%	-	0.31%	0.18%	0.49%
MERS Capital Appreciation Portfolio (80/20)	10.56%	10.56%	2.18%	10.10%	6.56%		0.23%	0.18%	0.41%
MERS Established Market Portfolio (60/40)	8.86%	8.86%	2.81%	8.83%	5.86%	10.12%	0.24%	0.18%	0.42%
MERS Balanced Income Portfolio (40/60)	7.05%	7.05%	3.32%	6.79%	4.88%		0.25%	0.18%	0.43%
MERS Capital Preservation Portfolio (20/80)	5.58%	5.58%	4.26%	5.12%	4.18%		0.24%	0.18%	0.42%
MERS Diversified Bond Portfolio (0/100)	3.72%	3.72%	3.96%	2.90%	2.78%	4.98%	0.27%	0.18%	0.45%
Funds to Build Your Own Portfolio									
Large Cap Stock Index	13.75%	13.75%	9.65%	13.47%	10.75%	15.66%	0.05%	0.18%	0.23%
Mid Cap Stock Index	14.39%	14.39%	2.81%	11.43%	8.37%	16.28%	0.05%	0.18%	0.23%
Small Cap Stock Index	11.42%	11.42%	1.38%	12.53%	8.35%		0.05%	0.18%	0.23%
International Stock Index	9.46%	9.46%	-3.92%	7.18%	2.03%		0.08%	0.18%	0.26%
Emerging Market Stock	9.26%	9.26%	-12.03%	9.15%	3.19%		0.29%	0.18%	0.47%
Short-Term Income	0.89%	0.89%	2.61%	1.28%	0.97%	1.06%	0.05%	0.18%	0.23%

¹**Investment Manager Expense:** This expense is charged by the investment manager(s) for the specified fund in order to invest the program's assets. This expense is calculated into the daily unit share pricing and reflected in the performance.

²**Administrative Fee:** This fee accrues during each month and is charged at the end of each month to the account based on the daily average balance. This fee is shown on your quarterly statement as a line-item charge under "Administrative Fee."

Disclaimer

Returns: Return information prior to 10/1/2014 are presented after the Total Annual Operating Expense. After 10/1/2014, returns are presented net of Investment Manager expenses only. Returns for periods greater than one year are annualized. Past performance is no guarantee of future results. Current performance may be higher or lower. Funds are subject to investment risk from a number of sources, including the management style of the fund and market volatility. Markets are volatile and can rise or decline significantly in response to company, political, regulatory, market, or economic developments. A fund's total return, like securities prices generally, will fluctuate within a wide range. As a result, you could lose money over short or even long periods. Funds are also subject to investment-related risk, which is the chance that returns from companies invested in by the fund will trail returns from other asset classes or the overall market.

Fees: The Total Annual Operating Expense consists of MERS operating costs, custody and recordkeeping costs, and investment management expenses.

Diversification: To help achieve a long-term security, you should give careful consideration to the benefits of a well-balanced investment portfolio. Spreading assets among different types of investment categories can help achieve a favorable rate of return while minimizing overall risk of losing money. This is because market or other economic conditions that cause one category of assets – or particular fund – to perform very well often causes another asset category – or another particular fund – to perform poorly. Diversification is not a guarantee against loss, however, it is an effective strategy to help you manage risk.

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It is important to periodically review investments, investment objectives, and investment options to help ensure that your retirement savings will meet your retirement goals.

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MERS Total Market Portfolio

Retiree Health Funding Vehicle (RHFV) and
Investment Services Program (ISP)



Total Fund Assets: **\$10.61 billion**

Fund Category: **Asset Allocation**

Total Annual Operating Expense: **0.46%**

Objective

The MERS Total Market Portfolio is a fully diversified portfolio combining traditional stocks and bonds with alternative asset classes including real estate, private equity, and commodities. The objective is to provide current income and capital appreciation while minimizing the volatility of the capital markets.

Portfolio Management

MERS manages the asset allocation and monitors the underlying investment managers of the MERS Total Market Portfolio.

Fee and Expense Information

Administrative Fee	0.18%	Costs related to bookkeeping, settling trade activity, and holding assets in custody at a bank and running the day-to-day operations of the plan, which include legal, accounting, auditing, compliance, printing, and overhead costs.
Investment Management Expense	0.28%	All costs incurred in the direct management of the fund. These vary based on level of assets and are expected to decline as assets increase.
Total Annual Operating Expense	0.46%	This total reduces the rate of return of the fund. This means that for every \$1,000 invested in the MERS Total Market Portfolio, a participant is charged \$4.60 in fees a year.

Target Asset Allocation



Actual Asset Breakdown as of 03/31/19

U.S. Stock	18.00%
International Stock	17.70%
Emerging Market Stock	11.00%
Private Equity	4.60%
Global Bond	11.90%
Cash	17.50%
Global Real Assets	10.30%
Diversifying Strategies	9.00%

Fund Restrictions

A 2.00% redemption fee is charged for shares sold within 90 days of purchase. The charge is applied on a first-in, first-out basis.

Performance Information as of 03/31/19

	Quarter	Year to Date	1 Year	3 Years	5 Years	10 Years
MERS Total Market Portfolio	5.48%	5.48%	1.07%	8.06%	5.64%	9.24%
Custom Benchmark*	9.22%	9.22%	3.84%	7.82%	4.81%	9.53%
Standard Deviation	--	--	6.02%	4.50%	5.12%	6.67%

Performance by year

	2013	2014	2015	2016	2017
MERS Total Market Portfolio	14.48%	6.35%	-0.97%	10.67%	13.21%
Custom Benchmark*	14.35%	2.74%	-2.33%	6.30%	16.72%
Standard Deviation	4.93%	4.95%	5.77%	5.71%	1.51%

Returns for periods greater than one year are annualized.

Standard Deviation measures the distribution of returns around the average return. The more spread apart the data, the higher the deviation.

Returns are calculated net of the Investment Management Expense for periods after October 1, 2014. Prior to this date, returns are calculated net of both the Investment Management Expense and Administrative Fees.

*Custom Benchmark: 45% Russell 3000, 20% MSCI ACWI ex USA IMI (Net), 25% BBG BARC Agg, 10% BBG BARC Global Agg ex US.

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MERS Global Stock Portfolio (100/0)

Retiree Health Funding Vehicle (RHFV) and
Investment Services Program (ISP)



Total Fund Assets: **\$2.55 billion**

Fund Category: **Global Equity Blend**

Total Annual Operating Expense: **0.49%**

Objective

MERS Global Stock Portfolio (100/0) seeks long-term capital appreciation and current income through investment in global equities. The objective is to outperform the MSCI ACWI index utilizing active and passive management.

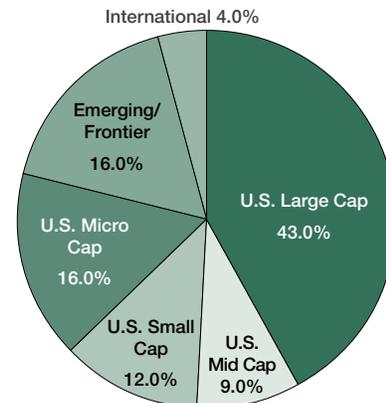
Portfolio Management

MERS manages the asset allocation and monitors the underlying investment managers of the MERS Global Stock Portfolio (100/0). The MERS Global Stock Portfolio (100/0) is part of the MERS Total Market Portfolio.

Fee and Expense Information

Administrative Fee	0.18%	Costs related to bookkeeping, settling trade activity, and holding assets in custody at a bank and running the day-to-day operations of the plan, which include legal, accounting, auditing, compliance, printing, and overhead costs.
Investment Management Expense	0.31%	All costs incurred in the direct management of the fund. These vary based on level of assets and are expected to decline as assets increase.
Total Annual Operating Expense	0.49%	This total reduces the rate of return of the fund. This means that for every \$1,000 invested in the MERS Global Stock Portfolio, a participant is charged \$4.90 in fees a year.

Target Asset Allocation



Target Asset Breakdown as of 03/31/19

U.S. Large Cap	43.0%
U.S. Mid Cap	9.0%
U.S. Small Cap	12.0%
U.S. Micro Cap	16.0%
Emerging/Frontier	16.0%
International	4.0%

Fund Restrictions

The MERS Global Stock Portfolio (100/0) has no restrictions.

Performance Information as of 03/31/19

	Quarter	Year to Date	1 Year	3 Years	5 Years	10 Years
MERS Global Stock Portfolio	12.28%	12.28%	1.70%	11.47%	7.17%	--
MSCI ACWI Index	12.18%	12.18%	2.60%	10.67%	6.45%	--
Standard Deviation	--	--	16.17%	10.77%	11.07%	--

Returns for periods greater than one year are annualized.

Standard Deviation measures the distribution of returns around the average return. The more spread apart the data, the higher the deviation.

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Performance by year					
	2013	2014	2015	2016	2017
MERS Global Stock Portfolio	-	6.51%	-3.70%	12.98%	22.09%
MSCI ACWI Index	22.80%	4.16%	-2.36%	7.86%	23.97%
Standard Deviation	-	6.90%	12.52%	11.32%	4.05%

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MERS Capital Appreciation Portfolio (80/20)

Retiree Health Funding Vehicle (RHFV) and
Investment Services Program (ISP)



Total Fund Assets: **\$3.6 billion**

Fund Category: **Asset Allocation**

Total Annual Operating Expense: **0.41%**

Objective

The MERS Capital Appreciation Portfolio (80/20) seeks to provide long-term growth of capital through a diversified mix of stocks and bonds. The objective is to outperform a traditional 80/20 mix of stocks and bonds.

Portfolio Management

MERS manages the asset allocation and monitors the underlying investment managers of the MERS Capital Appreciation Portfolio (80/20). The MERS Capital Appreciation Portfolio (80/20) is part of the MERS Total Market Portfolio.

Fee and Expense Information

Administrative Fee	0.18%	Costs related to bookkeeping, settling trade activity, and holding assets in custody at a bank and running the day-to-day operations of the plan, which include legal, accounting, auditing, compliance, printing, and overhead costs.
Investment Management Expense	0.23%	All costs incurred in the direct management of the fund. These vary based on level of assets and are expected to decline as assets increase.
Total Annual Operating Expense	0.41%	This total reduces the rate of return of the fund. This means that for every \$1,000 invested in the MERS Capital Appreciation Portfolio, a participant is charged \$4.10 in fees a year.

Fund Restrictions

The MERS Capital Appreciation Portfolio (80/20) has no restrictions.

Performance Information as of 03/31/19

	Quarter	Year to Date	1 Year	3 Years	5 Years	10 Years
MERS Capital Appreciation Portfolio	10.56%	10.56%	2.18%	10.10%	6.56%	--
Custom Benchmark*	10.81%	10.81%	4.60%	10.22%	7.22%	--
Standard Deviation	--	--	13.46%	8.88%	9.14%	--

Returns for periods greater than one year are annualized.

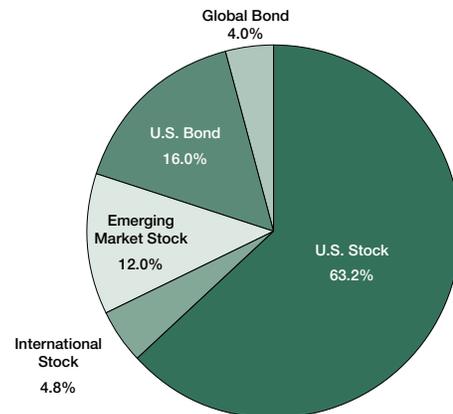
Standard Deviation measures the distribution of returns around the average return. The more spread apart the data, the higher the deviation.

Returns are calculated net of the Investment Management Expense for periods after October 1, 2014. Prior to this date, returns are calculated net of both the Investment Management Expense and Administrative Fees.

*Custom Benchmark: 45% Russell 3000, 20% MSCI ACWI ex USA IMI (Net), 25% BBG BARC Agg, 10% BBG BARC Global Agg ex US.

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Target Asset Allocation



Target Asset Breakdown as of 03/31/19

U.S. Stock	63.2%
International Stock	4.8%
Emerging Market Stock	12.0%
U.S. Bond	16.0%
Global Bond	4.0%
Cash	0.0%

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MERS Established Market Portfolio (60/40)

Retiree Health Funding Vehicle (RHFV) and
Investment Services Program (ISP)



Total Fund Assets: **\$3.6 billion**

Fund Category: **Asset Allocation**

Total Annual Operating Expense: **0.42%**

Objective

The MERS Established Market Portfolio (60/40) seeks to provide long-term growth of capital and income through a diversified mix of stocks and bonds. The objective is to outperform a traditional 60/40 mix of stocks and bonds.

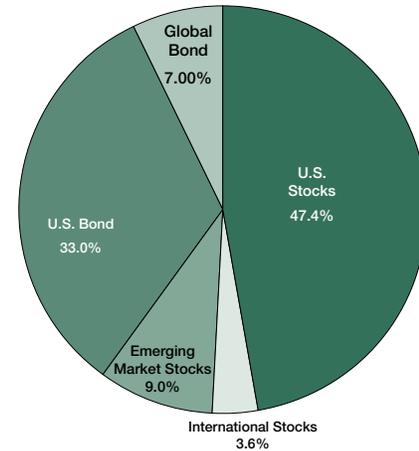
Portfolio Management

MERS manages the asset allocation and monitors the underlying investment managers of the MERS Established Market Portfolio (60/40). The MERS Established Market Portfolio (60/40) is part of the MERS Total Market Portfolio.

Fee and Expense Information

Administrative Fee	0.18%	Costs related to bookkeeping, settling trade activity, and holding assets in custody at a bank and running the day-to-day operations of the plan, which include legal, accounting, auditing, compliance, printing, and overhead costs.
Investment Management Expense	0.24%	All costs incurred in the direct management of the fund. These vary based on level of assets and are expected to decline as assets increase.
Total Annual Operating Expense	0.42%	This total reduces the rate of return of the fund. This means that for every \$1,000 invested in the MERS Established Market Portfolio, a participant is charged \$4.20 in fees a year.

Target Asset Allocation



Target Asset Breakdown as of 03/31/19

U.S. Stock	47.4%
International Stock	3.6%
Emerging Market Stock	9.0%
U.S. Bond	33.0%
Global Bond	7.0%

Fund Restrictions

The MERS Established Market Portfolio (60/40) has no restrictions.

Performance Information as of 03/31/19

	Quarter	Year to Date	1 Year	3 Years	5 Years	10 Years
MERS Established Market Portfolio	8.86%	8.86%	2.81%	8.83%	5.86%	10.12%
Custom Benchmark*	8.83%	8.83%	4.71%	8.19%	6.16%	10.05%
Standard Deviation	--	--	10.35%	6.81%	7.06%	8.93%

Returns for periods greater than one year are annualized.

Standard Deviation measures the distribution of returns around the average return. The more spread apart the data, the higher the deviation.

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Performance by year

	2013	2014	2015	2016	2017
MERS Established Market Portfolio	15.36%	5.18%	-1.72%	11.75%	14.36%
Custom Benchmark*	14.05%	7.01%	-0.80%	7.66%	15.47%
Standard Deviation	6.20%	3.93%	7.23%	7.38%	2.27%

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MERS Balanced Income Portfolio (40/60)

Retiree Health Funding Vehicle (RHFV) and
Investment Services Program (ISP)



Total Fund Assets: **\$3.6 billion**

Fund Category: **Asset Allocation**

Total Annual Operating Expense: **0.43%**

Objective

The MERS Balanced Income Portfolio (40/60) seeks to provide growth of capital and provide downside protection through a diversified mix of stocks and bonds. The objective is to outperform a traditional 40/60 mix of stocks and bonds.

Portfolio Management

MERS manages the asset allocation and monitors the underlying investment managers of the MERS Balanced Income Portfolio (40/60). The MERS Balanced Income Portfolio (40/60) is part of the MERS Total Market Portfolio.

Fee and Expense Information

Administrative Fee	0.18%	Costs related to bookkeeping, settling trade activity, and holding assets in custody at a bank and running the day-to-day operations of the plan, which include legal, accounting, auditing, compliance, printing, and overhead costs.
Investment Management Expense	0.25%	All costs incurred in the direct management of the fund. These vary based on level of assets and are expected to decline as assets increase.
Total Annual Operating Expense	0.43%	This total reduces the rate of return of the fund. This means that for every \$1,000 invested in the MERS Balanced Income Portfolio, a participant is charged \$4.30 in fees a year.

Fund Restrictions

The MERS Balanced Income Portfolio (40/60) has no restrictions.

Performance Information as of 03/31/19

	Quarter	Year to Date	1 Year	3 Years	5 Years	10 Years
MERS Balanced Income Portfolio	7.05%	7.05%	3.32%	6.79%	4.88%	--
Custom Benchmark*	6.85%	6.85%	4.72%	6.14%	5.07%	--
Standard Deviation	--	--	7.31%	4.85%	5.06%	--

Returns for periods greater than one year are annualized.

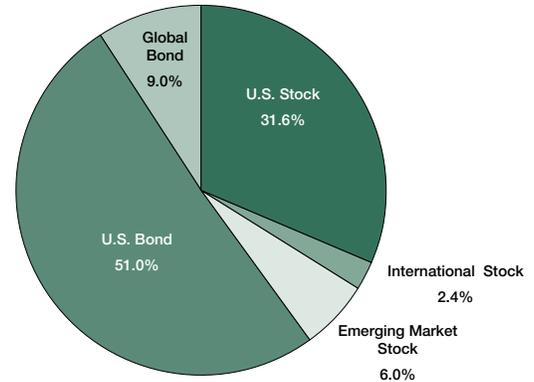
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Target Asset Allocation



Target Asset Breakdown as of 03/31/19

U.S. Stock	31.6%
International Stock	2.4%
Emerging Market Stock	6.0%
U.S. Bond	51.0%
Global Bond	9.0%
Cash	0.0%

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MERS Capital Preservation Portfolio (20/80)

Retiree Health Funding Vehicle (RHFV) and
Investment Services Program (ISP)



Total Fund Assets: **\$2.58 billion**

Fund Category: **Asset Allocation**

Total Annual Operating Expense: **0.42%**

Objective

MERS Capital Preservation Portfolio (20/80) seeks to obtain maximum current income, while preserving capital and liquidity. This goal is sought through investing in investment grade commercial paper, corporate bonds, and U.S. agencies. The objective is to outperform the BBG Barclays U.S. Treasury 1-3 Year Index.

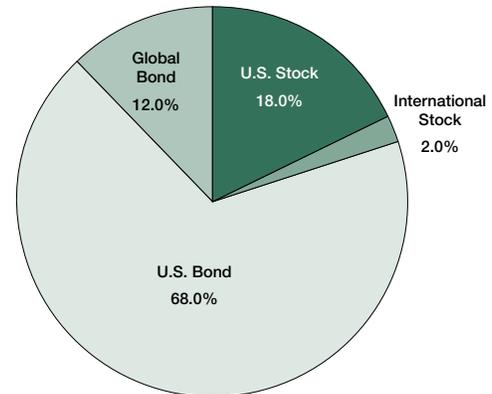
Portfolio Management

MERS manages the asset allocation and monitors the underlying investment managers of the MERS Capital Preservation Portfolio (20/80). The MERS Capital Preservation Portfolio (20/80) is part of the MERS Total Market Portfolio.

Fee and Expense Information

Administrative Fee	0.18%	Costs related to bookkeeping, settling trade activity, and holding assets in custody at a bank and running the day-to-day operations of the plan, which include legal, accounting, auditing, compliance, printing, and overhead costs.
Investment Management Expense	0.24%	All costs incurred in the direct management of the fund. These vary based on level of assets and are expected to decline as assets increase.
Total Annual Operating Expense	0.42%	This total reduces the rate of return of the fund. This means that for every \$1,000 invested in the MERS Capital Preservation Portfolio, a participant is charged \$4.20 in fees a year.

Target Asset Allocation



Target Asset Breakdown as of 03/31/19

U.S. Stock	18.0%
International Stock	2.0%
Emerging Market Stock	0.0%
U.S. Bond	68.0%
Global Bond	12.0%
Cash	0.0%

Fund Restrictions

The MERS Capital Preservation Portfolio (20/80) has no restrictions.

Performance Information as of 03/31/19

	Quarter	Year to Date	1 Year	3 Years	5 Years	10 Years	Performance by year				
							2013	2014	2015	2016	2017
MERS Capital Preservation Portfolio	5.58%	5.58%	4.26%	5.12%	4.18%	--	3.70%	4.50%	0.43%	7.14%	8.14%
Custom Benchmark*	4.93%	4.93%	4.89%	4.04%	3.95%	--	3.92%	6.42%	0.63%	4.15%	7.05%
Standard Deviation	--	--	4.88%	3.51%	3.60%	--	4.53%	3.59%	3.38%	3.86%	1.34%

Returns for periods greater than one year are annualized.

Standard Deviation measures the distribution of returns around the average return. The more spread apart the data, the higher the deviation.

Returns are calculated net of the Investment Management Expense for periods after October 1, 2014. Prior to this date, returns are calculated net of both the Investment Management Expense and Administrative Fees.

*Custom Benchmark: 45% Russell 3000, 20% MSCI ACWI ex USA IMI (Net), 25% BBG BARC Agg, 10% BBG BARC Global Agg ex US.

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MERS Diversified Bond Portfolio (0/100)

Retiree Health Funding Vehicle (RHFV) and
Investment Services Program (ISP)



Total Fund Assets: **\$1.16 billion**

Fund Category: **Intermediate Bond**

Total Annual Operating Expense: **0.45%**

Investment Objective

The MERS Diversified Bond Portfolio (0/100) seeks current income and growth of capital by investing in a wide spectrum of fixed income securities both in the U.S. and abroad. The objective is to outperform the BBG Barclays U.S. Aggregate Bond Index.

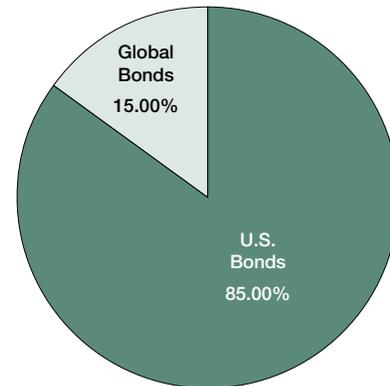
Portfolio Management

MERS manages the asset allocation and monitors the underlying investment managers of the MERS Diversified Bond Portfolio (0/100). The MERS Diversified Bond Portfolio (0/100) is part of the MERS Total Market Portfolio.

Fee and Expense Information

Administrative Fee	0.18%	Costs related to bookkeeping, settling trade activity, and holding assets in custody at a bank and running the day-to-day operations of the plan, which include legal, accounting, auditing, compliance, printing, and overhead costs.
Investment Management Expense	0.27%	All costs incurred in the direct management of the fund. These vary based on level of assets and are expected to decline as assets increase.
Total Annual Operating Expense	0.45%	This total reduces the rate of return of the fund. This means that for every \$1,000 invested in the MERS Diversified Bond Portfolio, a participant is charged \$4.50 in fees a year.

Target Asset Allocation



Target Asset Breakdown as of 03/31/19

U.S. Bonds	85.0%
Global Bonds	15.0%

Fund Restrictions

The MERS Diversified Bond Portfolio (0/100) has no restrictions.

Performance Information as of 03/31/19

	Quarter	Year to Date	1 Year	3 Years	5 Years	10 Years
MERS Diversified Bond Fund	3.72%	3.72%	3.96%	2.90%	2.78%	4.98%
BBG Barclays Capital U.S. Aggregate	2.94%	2.94%	4.48%	2.03%	2.74%	3.77%
Standard Deviation	--	--	3.10%	3.04%	2.94%	3.45%

Returns for periods greater than one year are annualized.

Standard Deviation measures the distribution of returns around the average return. The more spread apart the data, the higher the deviation.

Returns are calculated net of the Investment Management Expense for periods after October 1, 2014. Prior to this date, returns are calculated net of both the Investment Management Expense and Administrative Fees.

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Performance by year					
2013	2014	2015	2016	2017	
2.61%	4.24%	-0.41%	5.08%	4.67%	
-2.02%	5.97%	0.55%	2.65%	3.54%	
4.08%	2.90%	2.32%	4.06%	1.64%	

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Large Cap Stock Index

Retiree Health Funding Vehicle (RHFV) and
Investment Services Program (ISP)

Total Fund Assets: **\$323 million**

Fund Category: **Large Cap Index**

Total Annual Operating Expense: **0.23%**



Investment Objective

Large Cap Stock Index seeks to replicate the total return of the S&P 500 Index.

Portfolio Management

MERS manages the asset allocation and monitors the underlying investment managers of the Large Cap Stock Index. The Large Cap Stock Index is part of the MERS Total Market Portfolio.

Fee and Expense Information

Administrative Fee	0.18%	Costs related to bookkeeping, settling trade activity, and holding assets in custody at a bank and running the day-to-day operations of the plan, which include legal, accounting, auditing, compliance, printing, and overhead costs.
Investment Management Expense	0.05%	All costs incurred in the direct management of the fund. These vary based on level of assets and are expected to decline as assets increase.
Total Annual Operating Expense	0.23%	This total reduces the rate of return of the fund. This means that for every \$1,000 invested in the MERS Large Cap Stock Index, a participant is charged \$2.30 in fees a year.

Target Asset Allocation



Ten Largest Holdings as of 03/31/19

Microsoft Corporation	3.83%
Apple Inc.	3.59%
Amazon.com, Inc.	3.07%
Facebook, Inc. Class A	1.68%
Berkshire Hathaway, Incorporated CL B	1.64%
Johnson & Johnson	1.57%
Alphabet Inc. CL C	1.51%
Alphabet Inc. CL A	1.49%
Exxon Mobil Corporation	1.43%
JP Morgan Chase	1.41%

Fund Restrictions

The Large Cap Stock Index has no restrictions.

Performance Information as of 03/31/19

	Quarter	Year to Date	1 Year	3 Years	5 Years	10 Years
MERS Large Cap Stock Index	13.75%	13.75%	9.65%	13.47%	10.75%	15.66%
S&P 500 Index	13.65%	13.65%	9.50%	13.51%	10.91%	15.92%
Standard Deviation	--	--	15.97%	10.72%	11.18%	12.59%

Performance by year

	2013	2014	2015	2016	2017
MERS Large Cap Stock Index	32.12%	13.30%	1.06%	11.80%	21.64%
S&P 500 Index	32.39%	13.69%	1.38%	11.96%	21.83%
Standard Deviation	8.48%	8.25%	13.70%	10.25%	3.94%

Returns for periods greater than one year are annualized.

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Large Cap Stock Index

Retiree Health Funding Vehicle (RHFV) and
Investment Services Program (ISP)



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Mid Cap Stock Index

Retiree Health Funding Vehicle (RHFV) and
Investment Services Program (ISP)



Total Fund Assets: **\$306 million**

Fund Category: **Mid Cap Index**

Total Annual Operating Expense: **0.23%**

Objective

Mid Cap Stock Index seeks to replicate the total return of the S&P 400® Index.

Portfolio Management

MERS manages the asset allocation and monitors the underlying investment managers of the Mid Cap Stock Index. The Mid Cap Stock Index is part of the MERS Total Market Portfolio.

Fee and Expense Information

Administrative Fee	0.18%	Costs related to bookkeeping, settling trade activity, and holding assets in custody at a bank and running the day-to-day operations of the plan, which include legal, accounting, auditing, compliance, printing, and overhead costs.
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Total Annual Operating Expense	0.23%	This total reduces the rate of return of the fund. This means that for every \$1,000 invested in the MERS Mid Cap Stock Index, a participant is charged \$2.30 in fees a year.

Target Asset Allocation



Ten Largest Holdings as of 03/31/19

Ilex Corp	0.69%
Zebra Technologies Corp CL A	0.67%
Steris PLC	0.64%
Dominos Pizza Inc	0.63%
Ultimate Software Group	0.62%
Trimble Inc	0.60%
PTC Inc	0.59%
Camden Property Trust	0.59%
UGI Corp	0.57%
Lennox International Inc	0.57%

Fund Restrictions

The Mid Cap Stock Index has no restrictions.

Performance Information as of 03/31/19

	Quarter	Year to Date	1 Year	3 Years	5 Years	10 Years	Performance by year				
							2013	2014	2015	2016	2017
MERS Mid Cap Stock Index	14.39%	14.39%	2.81%	11.43%	8.37%	16.28%	33.03%	9.83%	-2.30%	21.03%	16.24%
S&P 400 Index	14.49%	14.49%	2.59%	11.24%	8.29%	16.28%	33.50%	9.77%	-2.18%	20.74%	16.24%
Standard Deviation	--	--	20.40%	13.45%	13.26%	15.19%	11.06%	12.16%	11.75%	13.80%	5.59%

Returns for periods greater than one year are annualized.

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Mid Cap Stock Index

Retiree Health Funding Vehicle (RHFV) and
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Small Cap Stock Index

Retiree Health Funding Vehicle (RHFV) and
Investment Services Program (ISP)



Total Fund Assets: **\$217 million**

Fund Category: **Small Cap Index**

Total Annual Operating Expense: **0.23%**

Objective

Small Cap Stock Index seeks to replicate the total return of the S&P 600® Index.

Portfolio Management

MERS manages the asset allocation and monitors the underlying investment managers of the Small Cap Stock Index. The Small Cap Stock Index is part of the MERS Total Market Portfolio.

Fee and Expense Information

Administrative Fee	0.18%	Costs related to bookkeeping, settling trade activity, and holding assets in custody at a bank and running the day-to-day operations of the plan, which include legal, accounting, auditing, compliance, printing, and overhead costs.
Investment Management Expense	0.05%	All costs incurred in the direct management of the fund. These vary based on level of assets and are expected to decline as assets increase.
Total Annual Operating Expense	0.23%	This total reduces the rate of return of the fund. This means that for every \$1,000 invested in the MERS Small Cap Stock Index, a participant is charged \$2.30 in fees a year.

Target Asset Allocation



Ten Largest Holdings as of 03/31/19

Eastgroup Properties Inc	0.55%
First Finl Bankshares Inc	0.53%
Firstcash Inc	0.51%
Selective Insurance Group	0.50%
TREX Company	0.49%
Darling Ingredients Inc	0.48%
Merit Medical Systems Inc	0.46%
Glacier Bancorp Inc	0.46%
Semtech corp	0.45%
Omicell Inc	0.45%

Fund Restrictions

The Small Cap Stock Index has no restrictions.

Performance Information as of 03/31/19

	Quarter	Year to Date	1 Year	3 Years	5 Years	10 Years	Performance by year				
							2013	2014	2015	2016	2017
MERS Small Cap Index	11.42%	11.42%	1.38%	12.53%	8.35%	-	-	5.84%	-2.66%	26.39%	13.23%
S&P 600 Index	11.61%	11.61%	1.57%	12.55%	8.45%	-	41.31%	5.76%	-1.97%	26.56%	13.23%
Standard Deviation	--	--	22.76%	16.26%	15.63%	-	-	14.48%	12.95%	17.19%	9.44%

Returns for periods greater than one year are annualized.

Standard Deviation measures the distribution of returns around the average return. The more spread apart the data, the higher the deviation.

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Small Cap Stock Index

Retiree Health Funding Vehicle (RHFV) and
Investment Services Program (ISP)



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Emerging Market Stock

Retiree Health Funding Vehicle (RHFV) and
Investment Services Program (ISP)



Total Fund Assets: **\$835 million**

Fund Category: **Emerging Market Blend**

Total Annual Operating Expense: **0.47%**

Objective

Emerging Market Stock seeks long-term capital appreciation and current income through investment in emerging and frontier market equities. The objective is to outperform a benchmark with a 75% MSCI Emerging Market Index and 25% MSCI Frontier Market Index blend utilizing active and passive management.

Portfolio Management

MERS manages the asset allocation and monitors the underlying investment managers of the Emerging Market Stock. The Emerging Market Stock is part of the MERS Total Market Portfolio.

Fee and Expense Information

Administrative Fee	0.18%	Costs related to bookkeeping, settling trade activity, and holding assets in custody at a bank and running the day-to-day operations of the plan, which include legal, accounting, auditing, compliance, printing, and overhead costs.
Investment Management Expense	0.29%	All costs incurred in the direct management of the fund. These vary based on level of assets and are expected to decline as assets increase.
Total Annual Operating Expense	0.47%	This total reduces the rate of return of the fund. This means that for every \$1,000 invested in the MERS Emerging Market Stock Fund, a participant is charged \$4.70 in fees a year.

Target Asset Allocation



Target Asset Breakdown as of 03/31/19

Emerging Markets 100.00%

Fund Restrictions

The Emerging Market Stock has no restrictions.

Performance Information as of 03/31/19

	Quarter	Year to Date	1 Year	3 Years	5 Years	10 Years
MERS Emerging Market Stock	9.26%	9.26%	-12.03%	9.15%	3.19%	--
Custom Benchmark*	9.16%	9.16%	-9.28%	9.82%	3.02%	--
Standard Deviation	--	--	11.42%	10.14%	11.17%	--

Returns for periods greater than one year are annualized.

Standard Deviation measures the distribution of returns around the average return. The more spread apart the data, the higher the deviation.

Returns are calculated net of the Investment Management Expense for periods after October 1, 2014. Prior to this date, returns are calculated net of both the Investment Management Expense and Administrative Fees.

*Custom Benchmark: 45% Russell 3000, 20% MSCI ACWI ex USA IMI (Net), 25% BBG BARC Agg, 10% BBG BARC Global Agg ex US.

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Performance by year					
2013	2014	2015	2016	2017	
-	2.13%	-13.76%	11.05%	31.14%	
-	0.21%	-14.73%	9.23%	35.96%	
-	10.40%	12.81%	11.81%	3.91%	

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Short-Term Income

Retiree Health Funding Vehicle (RHFV) and
Investment Services Program (ISP)



Total Fund Assets: **\$1.12 billion**

Fund Category: **Short-Term Bond**

Total Annual Operating Expense: **0.23%**

Objective

Short-Term Income seeks to obtain maximum current income, while preserving capital and liquidity. This goal is sought through investing in investment grade commercial paper, corporate bonds, and U.S. agencies. The objective is to outperform the BBG Barclays U.S. Treasury 1-3 Year Index.

Portfolio Management

MERS manages the asset allocation and monitors the underlying investment managers of the Short-Term Income. The Short-Term Income is part of the MERS Total Market Portfolio.

Fee and Expense Information

Administrative Fee	0.18%	Costs related to bookkeeping, settling trade activity, and holding assets in custody at a bank and running the day-to-day operations of the plan, which include legal, accounting, auditing, compliance, printing, and overhead costs.
Investment Management Expense	0.05%	All costs incurred in the direct management of the fund. These vary based on level of assets and are expected to decline as assets increase.
Total Annual Operating Expense	0.23%	This total reduces the rate of return of the fund. This means that for every \$1,000 invested in the MERS Short-Term Income Fund, a participant is charged \$2.30 in fees a year.

Target Asset Allocation



Asset Breakdown as of 03/31/19

Government Bonds	95.76%
Agency Bonds	0.00%
Asset Backed Bonds	0.40%
Cash	1.13%
Corporate Bonds	2.71%
Municipal Bonds	0.00%
Other Bonds	0.00%

Fund Restrictions

The Short-Term Income has no restrictions.

Performance Information as of 03/31/19

	Quarter	Year to Date	1 Year	3 Years	5 Years	10 Years	Performance by year				
							2013	2014	2015	2016	2017
MERS Short-Term Income Fund	0.89%	0.89%	2.61%	1.28%	0.97%	1.06%	0.23%	0.18%	0.29%	1.07%	0.74%
Barclays Capital U.S. Treasury 1-3 Yr	0.99%	0.99%	2.73%	0.98%	0.98%	1.04%	0.36%	0.63%	0.56%	0.86%	0.42%
Standard Deviation	--	--	0.73%	0.60%	0.55%	0.63%	0.38%	0.34%	0.41%	0.51%	0.37%

Returns for periods greater than one year are annualized.

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International Stock Index

Retiree Health Funding Vehicle (RHFV) and
Investment Services Program (ISP)



Total Fund Assets: **\$1.03 billion**

Fund Category: **International Stock Index**

Total Annual Operating Expense: **0.26%**

Objective

The International Stock Index seeks to replicate the total return of the MSCI EAFE Index.

Portfolio Management

MERS manages the asset allocation and monitors the underlying investment managers of the International Stock Index. The International Stock Index is part of the MERS Total Market Fund.

Fee and Expense Information

Administrative Fee	0.18%	Costs related to bookkeeping, settling trade activity, and holding assets in custody at a bank and running the day-to-day operations of the plan, which include legal, accounting, auditing, compliance, printing, and overhead costs.
Investment Management Expense	0.08%	All costs incurred in the direct management of the fund. These vary based on level of assets and are expected to decline as assets increase.
Total Annual Operating Expense	0.26%	This total reduces the rate of return of the fund. This means that for every \$1,000 invested in the MERS International Stock Index, a participant is charged \$2.60 in fees a year.

Fund Restrictions

The International Stock Index has no restrictions.

Performance Information as of 03/31/19

	Quarter	Year to Date	1 Year	3 Years	5 Years	10 Years
International Stock Index	9.46%	9.46%	-3.92%	7.18%	2.03%	--
MSCI EAFE Index	9.98%	9.98%	-3.71%	7.27%	2.33%	--
Standard Deviation	--	--	13.10%	10.17%	11.32%	--

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Target Asset Allocation



Asset Breakdown as of 03/31/19

Nestle SA	2.12%
Novartis AG	1.51%
Roche Holding AG	1.40%
HSBC Holdings PLC	1.18%
BP PLC	1.06%
Royal Dutch Shell PLC- A Shares	1.03%
U.S. Dollar	1.01%
TOTAL S.A. (TOT)	0.97%
Toyota Motor Corporation	0.97%
AIA Group LTD	0.87%

Performance by year

	2013	2014	2015	2016	2017
International Stock Index	0.23%	0.18%	0.29%	1.07%	22.56%
MSCI EAFE Index	0.36%	0.63%	0.56%	0.86%	25.03%
Standard Deviation	0.38%	0.34%	0.41%	0.51%	4.41%

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Sample Employer Statement

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PERIOD
 07.01.2018 —
 09.30.2018

YOUR TOTAL ACCOUNT BALANCE

\$4,367,258.88



ACCOUNT SUMMARY

SAMPLE

	RHFV
Beginning Balance on 07.01.2018	\$4,323,186.15
Contributions	0.00
Gain/Loss	46,698.77
Distributions	0.00
Fees/Expenses	(2,626.04)
Other	0.00
Ending Balance on 09.30.2018	\$4,367,258.88
Your Personal Rate of Return¹	
This Period	1.08%
Year To Date	1.92%

MESSAGE CENTER

Have you reviewed your plan's current investment(s) lately? As a reminder, MERS has expanded the investment menu, providing more options to match your municipality's needs with a MERS-managed portfolio. Visit www.mersofmich.com for more information and to view the investment menu for your plan.

¹Your personal rate of return is calculated using the Modified Dietz Method which assumes a constant rate for the period, weighting each cash flow by the time held and relative balances in each investment.



INVESTMENT PERFORMANCE

Election	Fund Name (Ticker)	Fund Balance (\$)	Annualized Total Return			Expense Ratio ³	Admin Expense	Fund Type
			1 Year	5 Year	10 Year ²			
100.00%	MERS TOTAL MARKET PORTFOLIO (MSZF1)	\$4,367,258.88	5.31%	7.10%	6.79%	0.48%	0.51%	Moderately Conservative Balanced
	SHORT-TERM INCOME (MRLE1)		0.48%	0.60%	0.96%	0.25%	0.51%	Short Term Bonds
	MERS DIVERS BOND PORT (0/100) (MRLD1)		(1.36%)	2.42%	4.69%	0.40%	0.51%	Global Bonds
	INTERNATIONAL STOCK INDEX (MRMA)		2.73%	4.12%	0.00%	0.29%	0.51%	Diversified International Equities
	EMERGING MARKET STOCK (SSBRC)		(4.79%)	4.20%	0.00%	1.11%	0.51%	Emerging Market Equities
	MERS GLOBAL STOCK PORT (100/0) (SSBR5)		12.61%	10.34%	0.00%	0.58%	0.51%	Global Equities
	LARGE CAP STOCK INDEX (SSBR9)		17.84%	13.72%	11.87%	0.25%	0.51%	Large Cap Core Equities
	MERS CAPITAL APPR PORT (80/20) (SSBR6)		10.04%	9.00%	0.00%	0.46%	0.51%	Aggressive Balanced
	MERS EST MARKET PORT (60/40) (MRLB1)		7.04%	7.55%	8.09%	0.45%	0.51%	Moderately Aggressive Balanced
	MID CAP STOCK INDEX (SSBRA)		14.47%	11.95%	12.64%	0.25%	0.51%	Mid Cap Core
	MERS BALANCED INC PORT (40/60) (SSBR7)		4.27%	5.86%	0.00%	0.43%	0.51%	Moderately Conservative Balanced
	MERS CAPITAL PRES PORT (20/80) (SSBR8)		2.08%	4.57%	0.00%	0.38%	0.51%	Conservative Balanced
	SMALL CAP STOCK INDEX (SSBRB)		3.09%	0.00%	0.00%	0.25%	0.51%	Small Cap Core Equities

Log in to your online account to see fund benchmarks and fund performance less than one year.

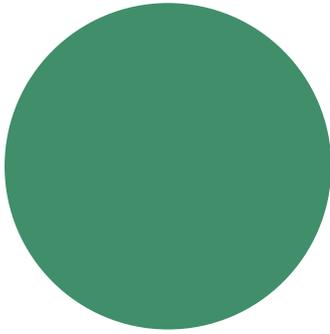
² Since inception if 10-year return not available.

³ Expense ratios include fund management fees, 12b-1 fees, and other fund expenses. They do not reflect sales, fees, reimbursements, or plan administrative services, if any.

SAMPLE

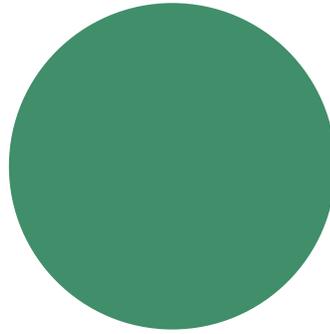
ASSET ALLOCATION

INVESTMENT ELECTION



■ Moderately Conservative
Balanced (100.0%)

ACCOUNT BALANCE



■ Moderately Conservative
Balanced (100.0%)

You should periodically review the asset allocation of your account to ensure that it reflects your investment goals. In doing so, you should consider these important aspects of your account:

Investment Election: Shows your instructions for the investment of all new deposits to your account from all sources (e.g., your 401(k) deferral, company contributions, or rollovers). The percentages listed above will be used to purchase investments proportionately with each deposit.

Account Balance: Shows the value of your investments as a percentage of the total account as of the period end date. These percentages change as the value of each investment fluctuates. You may change these investments by realigning your account balance, transferring a specific amount, or setting up an automated account realignment.

SAMPLE

Disclosures

Returns

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Fees

The Total Annual Operating Expense consists of MERS operating costs, custody and recordkeeping costs, and investment management expenses.

Diversification

To help achieve a long-term security, you should give careful consideration to the benefits of a well-balanced investment portfolio. Spreading assets among different

types of investment categories can help achieve a favorable rate of return while minimizing overall risk of losing money. This is because market or other economic conditions that cause one category of assets — or particular fund — to perform very well often cause another asset category — or another particular fund — to perform poorly. Diversification is not a guarantee against loss; however, it is an effective strategy to help you manage risk.

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The products offered: (1) are not FDIC insured, (2) are not deposits or other obligations of the bank or guaranteed by a bank, and (3) involve investment risks, including possible loss of principal amount invested.