



QUARTERLY INVESTMENT REPORT

March 2020



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MERS' Portfolio Characteristics

- Disciplined investment process
- Globally diversified
- Valuation focused investors
- May lag in periods of extended bull markets
- Focus on risk-adjusted returns

MERS' Office of Investments Goals

- Maintain adequate liquidity
- Minimize costs
- Exceed the actuarial rate assumption on a long-term basis
- Exceed the Policy Benchmark¹ on a long-term basis

Economic and Market Summary

Financial markets experienced significant volatility with the VIX index soaring as high as 83 during this first quarter of 2020. After the S&P 500 hit a record high of 3,386 on February 18th, concerns of Covid-19 began sweeping throughout the nation as cases spiked in several different states. The S&P 500 took only 16 trading days to close down 20% from the peak – the quickest on record. Liquidity in the market dried up as bid-ask spreads jumped on many securities and ETF prices dislocated from their NAV. The Fed stepped in to perform a slew of emergency actions, most notably slashing the fed funds rate to zero, launching QE4, and conducting unlimited repo operations. The measures were able to provide the liquidity and confidence the markets needed as they have rallied over 15% since the bottom, but the issues of virus spread and a weakening economy remain. Globally, the impact of Covid-19 has been severe as well. Many economies shutdown with death counts rising all across Europe. The MSCI EAFE index was down 22.76% along with the Emerging Markets index down 23.59%. Small-cap companies both U.S. and international have been hit the hardest with fear that these smaller companies won't be able to withstand the impact of a halted economy. Total nonfarm payroll unemployment fell by 701,000 in March with unemployment rising to 4.4%. These numbers do not capture the full effects that the quarantine measures will have on the economy with unemployment likely to reach 13% based off weekly jobless claims. The U.S. consumer sentiment decreased to 89.1 which is the fourth largest one-month decline in nearly a half century. While consumer sentiment is down, it seems that market participants are still pricing in a V-shaped recovery. Whether that is due to pent-up demand or to factors such as monetary and fiscal policy propping up the market remains to be seen.

Portfolio Performance Review

MERS' Total Portfolio returned -12.45% for the quarter. The portfolio outperformed the Policy Benchmark for the quarter by 166 bps. The Fund has delivered strong relative returns by continuing to maintain lower risk positioning across the portfolio. Outperformance was driven by relative returns in the Private Investments portfolio and strong absolute returns in U.S. Core Fixed Income. The Global Equity portfolio returned -24.51% on the quarter, underperforming the global equity policy blend by 264 bps. Relative returns were driven down by U.S. Small Cap, Mid Cap, Micro Cap, and International equities which all underperformed U.S. Large Cap equities. Global Fixed Income returned 1.61% on the quarter, outperforming the global fixed income policy blend by 23 bps. U.S. core fixed income came in the strongest fixed income sub-asset class returning 3.77% for the quarter. The Private Investments portfolio returned -0.54%, led by the Private Diversifying Strategies portfolio which returned 0.65%. MERS' Defined Benefit (DB) portfolio assets are \$8.57 billion and MERS' total assets are \$10.72 billion.

Risks and Trends

Economic Risks

- Escalating trade war tensions
- Monetary policy mistakes
- Corporate/government debt levels
- Eurozone instability
- Oil supply-demand shock

Medium-Term Trends

- Rise of populism
- Investment industry consolidation
- Rise of passive investing
- In-sourcing
- Covid-19 testing

Long-Term Trends

- Aging population/workforce
- Rising taxes/entitlement costs
- Aging infrastructure
- Competition for resources
- Rise of ESG

Projects and Initiatives

- Formally launched new asset allocation program on July 1, 2019
- Custodial bank transition completed on December 31, 2019
- Incorporating ETFs into the asset allocation program and internal strategies
- Researching the role of active management in sub-asset classes
- Enhancing internal equity portfolio models
- Active international equity search
- Internal fixed income portfolio development

¹ The Policy Benchmark consists of: 45% Russell 3000, 20% MSCI ACWI ex USA IMI (net), 25% Bloomberg Barclays US Aggregate, and Bloomberg Barclays Global Aggregate ex US

Asset Class Valuation Summary

Value/Price Discrepancy²

Asset Class	Overvalued	Undervalued
US Equity	-22.30%	
Europe Equity		62.10%
Japan Equity		37.60%
EM Equity		68.80%
US Treasury	-8.50%	
EMD		13.80%
US IG	-2.90%	
US HY		7.20%

² The value/price discrepancy is a ratio that compares the estimated fair value of an asset relative to its current market price. Overvalued assets have prices above estimated fair value and are expressed as a negative percentage and undervalued assets have prices below estimated fair value and are expressed as a positive percentage.

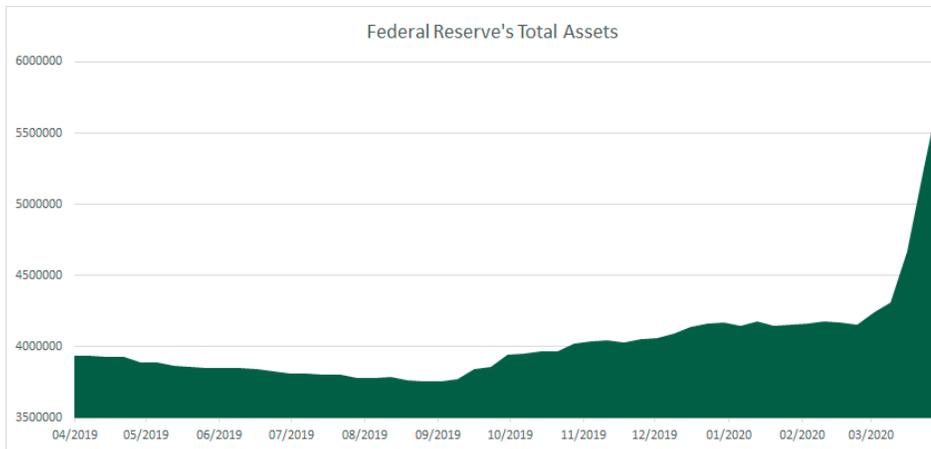
Equity Market Outlook

- Even with the downturn we saw in the market due to Covid-19, valuation multiples are still elevated in the US and current earnings remain above estimated trend earnings as a result of cyclically high profit margins, low interest rates, and tax reform.
- Valuation multiples and earnings are expected to revert to long-term averages resulting in lower expected returns for US equities.
- Valuations are more favorable in Europe, Japan, and Emerging Markets
- European earnings are currently below trend which is expected to contribute to returns going forward as earnings recover to long-term cyclically-adjusted levels.
- In Emerging Markets, a modest recovery from current below-trend earnings and strong trend earnings growth is expected to drive long-term returns

Fixed Income Market Outlook

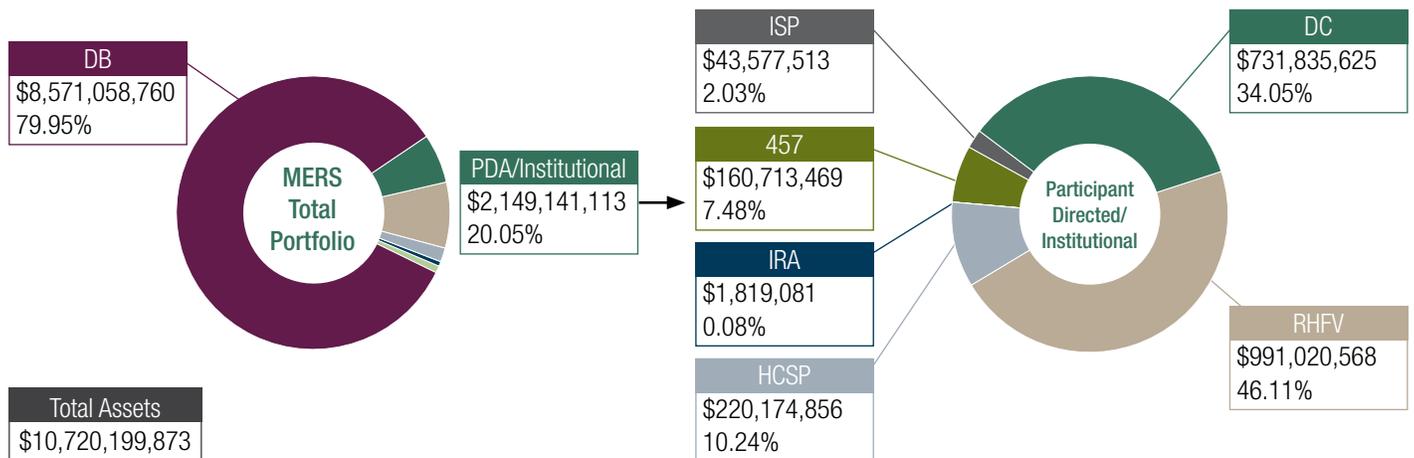
- U.S. Treasury is the most overvalued fixed income asset class due to the run up from investors buying treasuries as a safe haven asset.
- Emerging Markets Debt and U.S. High Yield Debt valuations are attractive with spreads widening significantly which now compensates MERS for taking risk in those asset classes.
- U.S. Investment Grade valuation has improved but still remain overvalued as the low credit spreads by historical standards do not compensate MERS' for future defaults that investors might experience.

Chart of the Quarter



The Federal Reserve has expanded its balance sheet significantly during this Covid-19 global pandemic. Total assets held on the balance sheet have reached \$5.8 trillion as of the first of April. This expansion started with the launch of quantitative easing on March 15th. The Fed announced it would buy \$500 million in treasuries and \$200 million in agency mortgage-backed securities. Later in the month, the Fed announced it would buy commercial mortgage-backed securities and investment grade corporate bonds for the first time ever. With the Fed willing to do everything it can to keep the market afloat, it begs the question are equities next?

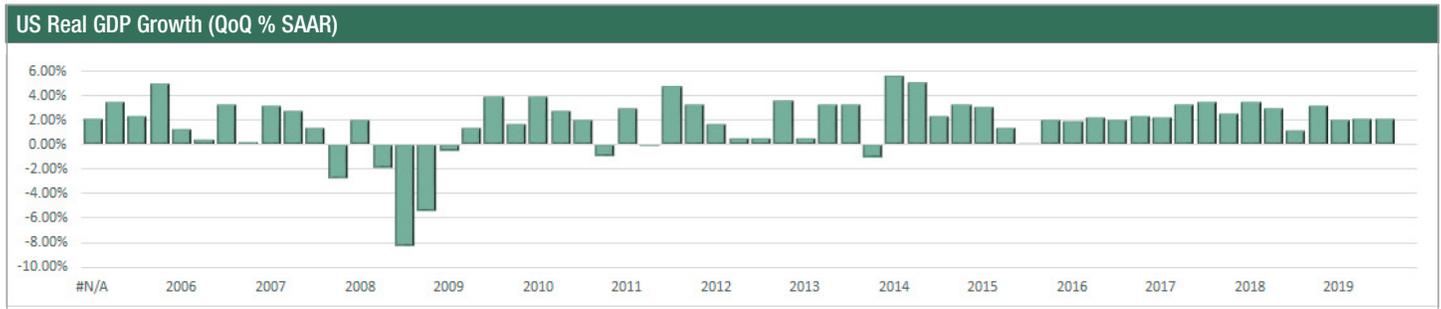
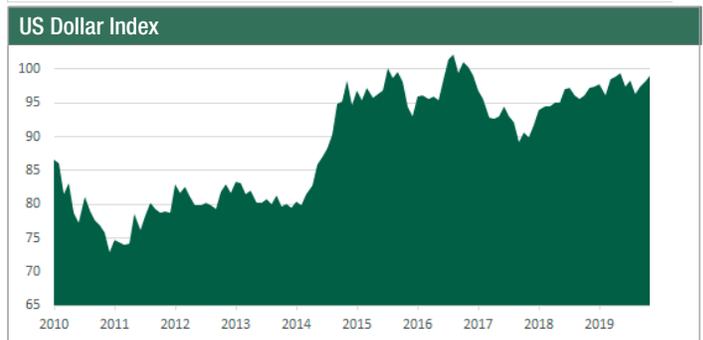
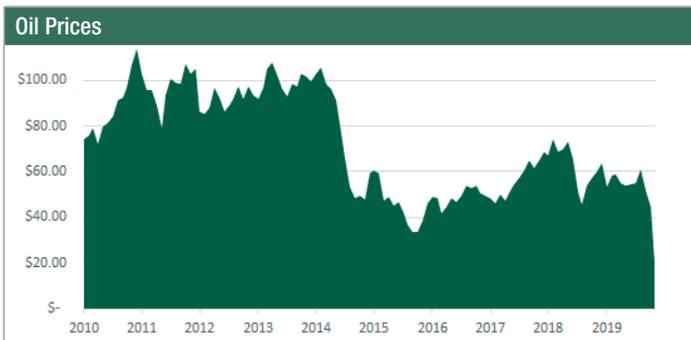
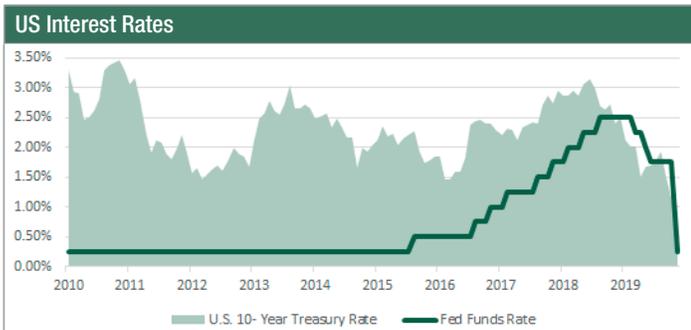
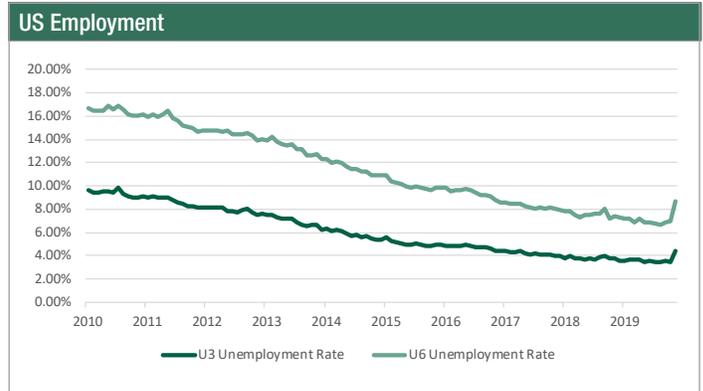
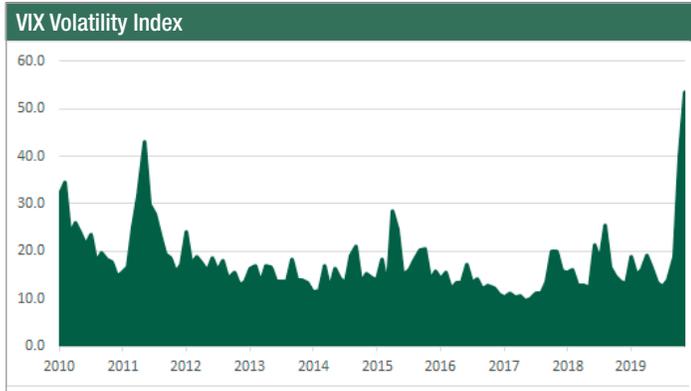
Assets by Program



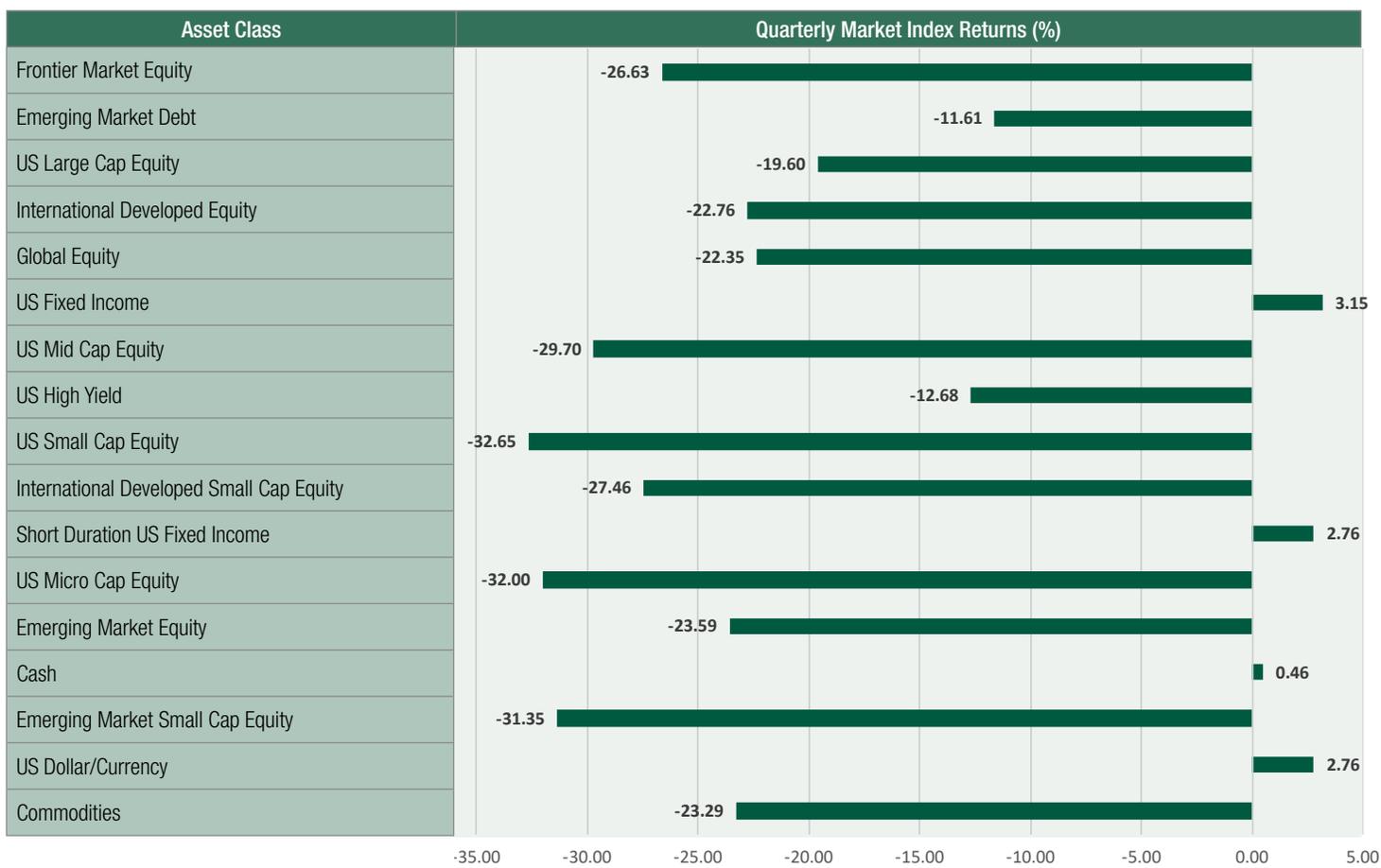
Market Indicators	Current	Prior Quarter
10 Year Treasury Yield	0.67%	1.92%
Fed Funds Rate	0.25%	1.75%
Crude Oil	\$20.5 /barrel	\$61.1 /barrel
Gold	\$1,577.2 /oz.	\$1,517.3 /oz.
30 Year Fixed Mortgage Rates	3.86%	3.86%
US Investment Grade Credit Spread	2.72%	0.93%
US High Yield Credit Spread	8.80%	3.36%
US Leading Economic Indicators	-6.50%	0.30%

Economic Releases	Current	Prior Quarter
ISM Manufacturing	49.10	47.80
ISM Non-Manufacturing	52.50	54.90
U of M Consumer Sentiment	89.10	99.30
US Real GDP*	2.30%	2.10%
Eurozone Real GDP*	1.00%	1.30%
UK GDP*	1.10%	1.30%
Japan GDP*	-0.70%	1.70%
China GDP*	6.00%	6.00%

* All GDP data is lagged 1 quarter



Quarterly Market Performance Review



Market Index Returns

Market Index	Asset Class	QTD	YTD	1 Year	3 Year	5 Year	7 Year	10 Year
S&P 500	US Large Cap Equity	-19.60	-19.60	-6.99	5.09	6.72	9.61	10.52
S&P 400	US Mid Cap Equity	-29.70	-29.70	-22.53	-4.11	0.55	4.89	7.86
S&P 600	US Small Cap Equity	-32.65	-32.65	-25.92	-5.39	0.40	5.11	8.03
Russell Microcap	US Micro Cap Equity	-32.00	-32.00	-26.41	-6.54	-1.94	3.29	6.06
MSCI EAFE	Interntl Developed Equity	-22.76	-22.76	-13.95	-1.29	-0.07	2.32	3.29
MSCI EAFE Small Cap	Interntl Developed Small Cap Equity	-27.46	-27.46	-17.85	-2.52	1.32	3.65	5.16
MSCI ACWI IMI	Global Equity	-22.35	-22.35	-12.23	1.32	3.04	5.40	6.39
MSCI Emerging Markets	Emerging Market Equity	-23.59	-23.59	-17.42	-1.29	0.02	-0.04	1.04
MSCI Emerging Markets Small Cap	Emerging Market Small Cap Equity	-31.35	-31.35	-28.77	-9.41	-4.94	-3.29	-1.09
MSCI Frontier Markets Index	Frontier Market Equity	-26.63	-26.63	-19.03	-4.28	-2.81	0.56	0.87
BBG Barclays U.S. Aggregate	US Fixed Income	3.15	3.15	8.93	4.82	3.36	3.19	3.88
JPMorgan EMBI Global Diversified Index	Emerging Market Debt	-11.61	-11.61	-5.54	0.37	2.64	2.67	4.97
ICE BofA Merrill Lynch Global High Yield	US High Yield	-12.68	-12.68	-6.94	0.77	2.78	3.33	5.64
91 Day Treasury Bill	Cash	0.46	0.46	2.08	1.74	1.12	0.81	0.59
BBG Barclays 1-3 Year Treasury	Short Duration US Fixed Income	2.76	2.76	5.40	2.69	1.84	1.51	1.44
Bloomberg Commodity Index Total Return	Commodities	-23.29	-23.29	-22.31	-8.61	-7.76	-10.04	-6.74
Bloomberg Dollar Spot Index	US Dollar/Currency	2.76	2.76	1.81	-1.30	0.14	2.56	2.02

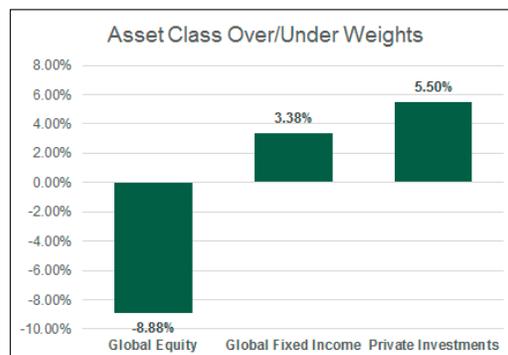
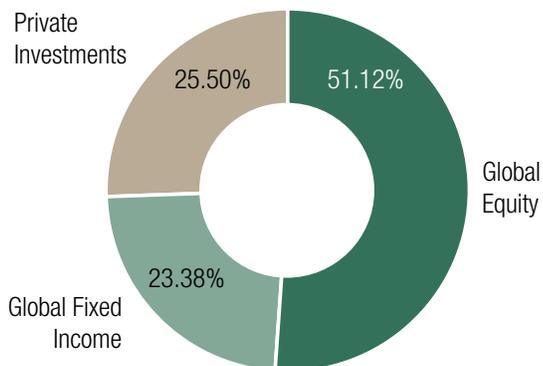
TOTAL PORTFOLIO QUARTERLY PERFORMANCE AND ALLOCATION

2020
MARCH

Portfolio		% of Total Portfolio	Quarterly Portfolio Returns (%)	
	MERS' Total Portfolio	100.00%		
	Policy Benchmark	-		
Global Equity	Global Equity	51.12%		
	US Equity	20.50%		
	US Large Cap Equity	13.75%		
	US Mid Cap Equity	2.14%		
	US Small Cap Equity	1.46%		
	US Micro Cap Equity	2.86%		
	International Equity	19.97%		
	International Large Cap Equity	15.10%		
	International Small Cap Equity	4.87%		
	Emerging Market Equity	10.65%		
	Emerging Market Large Cap Equity	5.40%		
	Emerging Market Small Cap Equity	2.70%		
	Frontier Market Equity	2.55%		
	Global Fixed Income	Global Fixed Income	23.38%	
US Core Fixed Income		4.67%		
Emerging Markets Debt		4.51%		
High Yield		5.87%		
Cash/Short Duration		8.33%		
Private Investments	Private Investments	25.50%		
	Private Equity	4.88%		
	Real Assets	11.69%		
	Diversified Real Assets	8.17%		
	Real Estate	3.50%		
	Timber	0.36%		
	Infrastructure	1.82%		
	Commodities	2.17%		
	Agriculture & Farmland	2.64%		
	Diversifying Strategies	8.93%		

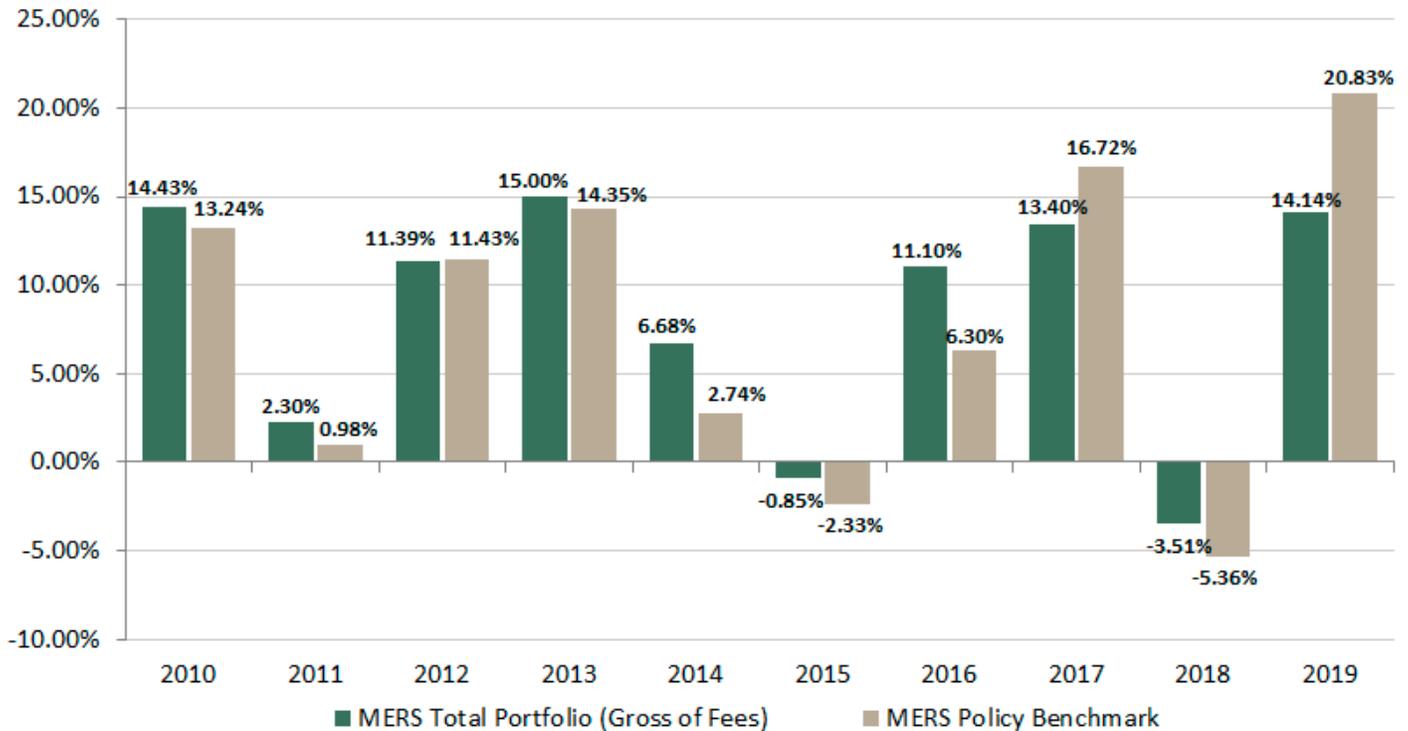
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Asset Class	Market Value	% of Fund	Base Allocation	Over/Under Weight	Minimum Allocation	Maximum Allocation
Global Equity	\$4,846,043,759	51.12%	60.00%	-8.88%	30.00%	70.00%
Global Fixed Income	\$2,216,609,503	23.38%	20.00%	3.38%	10.00%	60.00%
Private Investments	\$2,417,432,564	25.50%	20.00%	5.50%	No Minimum	30.00%
Total	\$9,480,085,827	100.00%	100.00%	0.00%		

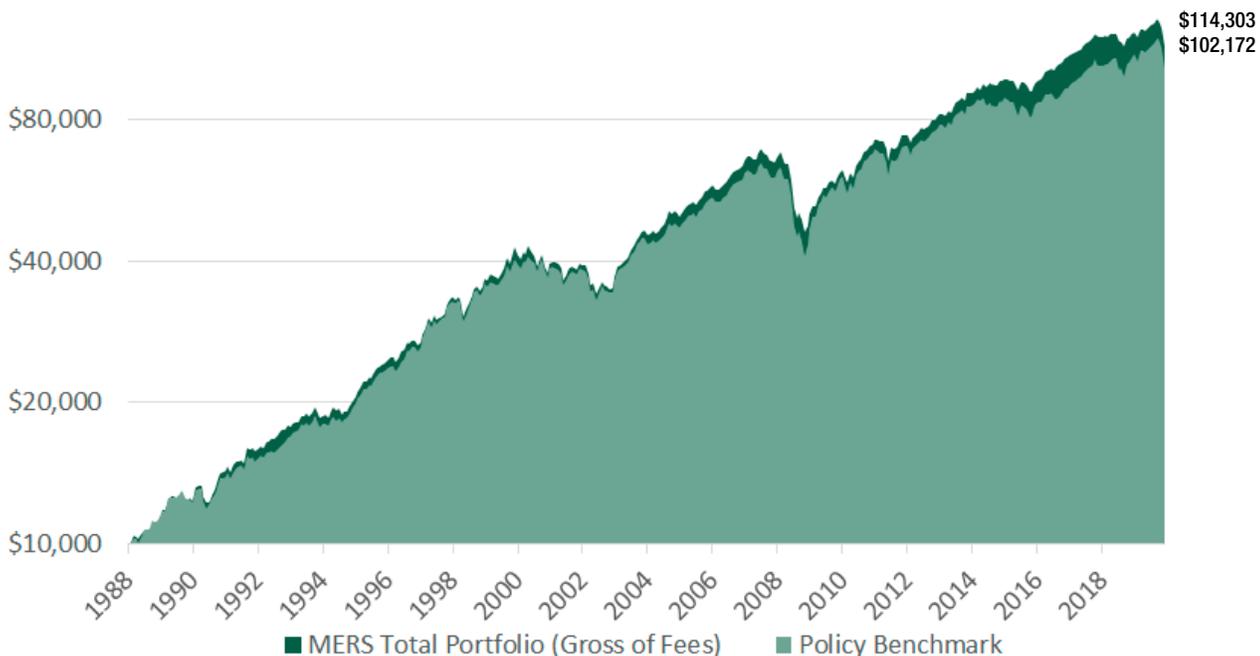


	QTD	YTD	1 Year	3 Year	5 Year	7 Year	10 Year
MERS Total Portfolio - Gross of Fees (%)	-12.45	-12.45	-5.44	1.86	3.47	5.04	6.43
MERS Total Portfolio - Net of Fees (%)	-12.47	-12.47	-5.54	1.72	3.28	4.83	6.20
Policy Benchmark (%)	-14.11	-14.11	-4.98	3.09	3.33	4.16	5.57
Excess (Net) (%)	1.64	1.64	-0.56	-1.37	-0.05	0.67	0.63

Calendar Year Performance – Last 10 Years

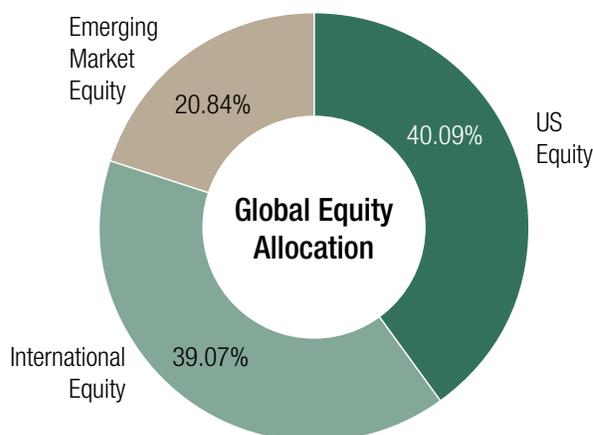


Growth of \$10,000 Comparison



Market Value	\$4,846,043,759
Assets – % of Portfolio	51.12%

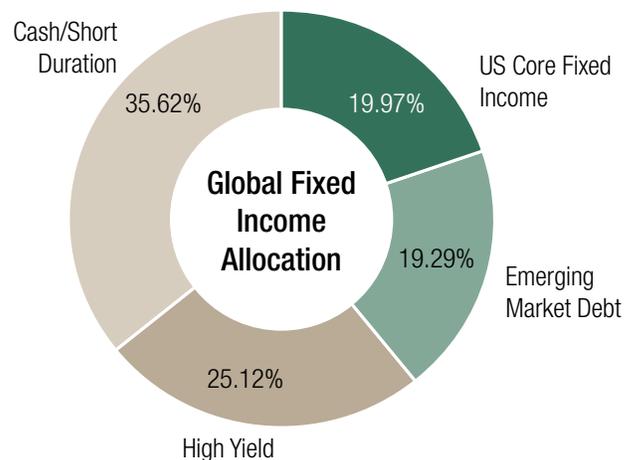
Sub Asset Class	Market Value
US Equity	\$1,942,973,340
International Equity	\$1,893,178,371
Emerging Market Equity	\$1,009,892,048
Total	\$4,846,043,759



	Market Value	% OF PLAN	QTD	YTD	1 Year	3 Year	5 Year	7 Year	10 Year
Global Equity	\$4,846,043,759	51.12	-24.51	-24.51	-17.20	-1.73	1.27	4.81	6.75
<i>MSCI ACWI</i>			<i>-21.37</i>	<i>-21.37</i>	<i>-11.26</i>	<i>1.50</i>	<i>2.85</i>	<i>5.07</i>	<i>5.88</i>
US Equity	\$1,942,973,340	20.50	-25.92	-25.92	-17.81				
<i>Russell 3000</i>			<i>-20.90</i>	<i>-20.90</i>	<i>-9.13</i>				
US Large Cap Equity	\$1,303,418,428	13.75	-20.75	-20.75	-9.91	4.19	6.35	9.92	11.24
<i>S&P 500</i>			<i>-19.60</i>	<i>-19.60</i>	<i>-6.98</i>	<i>5.10</i>	<i>6.73</i>	<i>9.62</i>	<i>10.53</i>
US Mid Cap Equity	\$202,979,447	2.14	-29.51	-29.51	-22.21	-3.96	-0.27	4.69	7.20
<i>S&P 400</i>			<i>-29.70</i>	<i>-29.70</i>	<i>-22.51</i>	<i>-4.09</i>	<i>0.56</i>	<i>4.91</i>	<i>7.88</i>
US Small Cap Equity	\$138,569,042	1.46	-32.47	-32.47	-26.15	-5.89	-0.62	3.38	6.15
<i>S&P 600</i>			<i>-32.64</i>	<i>-32.64</i>	<i>-25.89</i>	<i>-5.34</i>	<i>0.45</i>	<i>5.15</i>	<i>8.06</i>
US Micro Cap Equity	\$271,281,999	2.86	-34.61	-34.61	-30.55	-8.98	-3.07	2.32	
<i>Russell Microcap</i>			<i>-31.99</i>	<i>-31.99</i>	<i>-26.38</i>	<i>-6.55</i>	<i>-1.94</i>	<i>3.28</i>	
International Equity	\$1,893,178,371	19.97	-23.05	-23.05	-14.07				
<i>MSCI EAFE</i>			<i>-22.83</i>	<i>-22.83</i>	<i>-14.38</i>				
International Large Cap Equity	\$1,431,964,995	15.10	-21.83	-21.83	-12.85	-1.79			
<i>MSCI EAFE</i>			<i>-22.83</i>	<i>-22.83</i>	<i>-14.38</i>	<i>-1.82</i>			
International Small Cap Equity	\$461,213,376	4.87	-26.39	-26.39	-17.63	-1.76	3.13	5.06	7.15
<i>MSCI EAFE SMALL CAP</i>			<i>-27.52</i>	<i>-27.52</i>	<i>-18.15</i>	<i>-2.88</i>	<i>0.97</i>	<i>3.31</i>	<i>4.81</i>
Emerging Market Equity	\$1,009,892,048	10.65	-25.15	-25.15	-21.87	-5.46	-1.30	-0.64	-1.21
<i>MSCI EMERGING MARKETS</i>			<i>-23.60</i>	<i>-23.60</i>	<i>-17.69</i>	<i>-1.62</i>	<i>-0.37</i>	<i>-0.40</i>	<i>0.68</i>
Emerging Market Large Cap Equity	\$512,078,648	5.40	-23.05	-23.05	-17.06	-2.46	-0.47	-1.06	-2.67
<i>MSCI EMERGING MARKETS</i>			<i>-23.60</i>	<i>-23.60</i>	<i>-17.69</i>	<i>-1.62</i>	<i>-0.37</i>	<i>-0.40</i>	<i>0.68</i>
Emerging Market Small Cap Equity	\$255,807,478	2.70	-30.09	-30.09	-26.41	-8.52	-1.39		
<i>MSCI EMERGING MARKETS SMALL CAP</i>			<i>-31.37</i>	<i>-31.37</i>	<i>-28.98</i>	<i>-9.64</i>	<i>-5.17</i>		
Frontier Market Equity	\$242,005,922	2.55	-24.70	-24.70	-26.53	-8.54	-4.12	-1.12	-0.51
<i>MSCI FRONTIER MARKETS</i>			<i>-26.59</i>	<i>-26.59</i>	<i>-18.96</i>	<i>-4.29</i>	<i>-2.85</i>	<i>0.59</i>	<i>1.03</i>

Market Value	\$2,216,609,503
Assets – % of Portfolio	23.38%

Sub Asset Class	Market Value
US Core Fixed Income	\$442,669,674
Emerging Market Debt	\$427,625,575
High Yield	\$556,771,957
Cash/Short Duration	\$789,542,296
Total	\$2,216,609,503

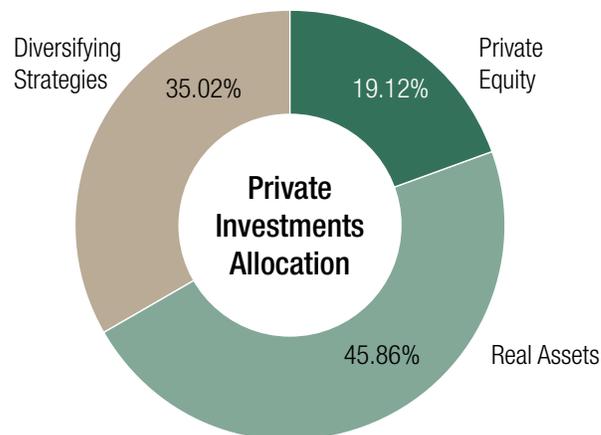


	Market Value	% OF PLAN	QTD	YTD	1 Year	3 Year	5 Year	7 Year	10 Year
Global Fixed Income ex Cash	\$1,427,067,207	15.05	1.61	1.61	8.02	4.86	4.71	4.00	4.20
<i>Bloomberg Barclays U.S. Aggregate</i>			3.15	3.15	8.93	4.82	3.36	3.19	3.88
US Core Fixed Income	\$442,669,674	4.67	3.77	3.77	9.93	5.02	3.55	3.48	4.56
<i>Bloomberg Barclays U.S. Aggregate</i>			3.15	3.15	8.93	4.82	3.36	3.19	3.88
Emerging Market Debt	\$427,625,575	4.51	-11.36	-11.36	-4.45	0.78	3.94	2.03	
<i>JPMorgan EMBI Global Diversified</i>			-13.38	-13.38	-6.84	0.42	2.82	2.89	
High Yield	\$556,771,957	5.87							
<i>Bloomberg Barclays U.S. Corporate High Yield</i>									
Cash/Short Duration¹	\$427,625,575	4.51	-11.36	-11.36	-4.45	0.78	3.94	2.03	
<i>91 Day Treasury Bill</i>			-13.38	-13.38	-6.84	0.42	2.82	2.89	

¹Cash/Short Duration market value reflects collateral for futures positions.

Market Value	\$2,417,432,564
Assets – % of Portfolio	25.50%

Sub Asset Class	Market Value
Private Equity	\$462,241,674
Real Assets	\$1,108,663,547
Diversifying Strategies	\$846,527,344
Total	\$2,417,432,564



	Market Value	% OF PLAN	QTD	YTD	1 Year	3 Year	5 Year	7 Year	10 Year
Private Investments	\$2,417,432,564	25.50	-0.54	-0.54	7.82				
VBA Reference Portfolio			-13.17	-13.17	-4.14				
Private Equity	\$462,241,674	4.88	-0.05	-0.05	10.39	13.57	10.72	11.91	11.49
<i>Private Equity Blend</i>			-29.05	-29.05	-21.06	-3.64	0.52	3.93	6.03
Real Assets	\$1,108,663,547	11.69	-1.56	-1.56	6.42	5.60	7.17	6.23	6.21
<i>Real Assets Blend</i>			1.19	1.19	5.47	4.41	4.04	3.38	4.23
Diversified Real Assets	\$774,950,284	8.17	-2.25	-2.25	6.95	3.10			
<i>Real Assets Blend</i>			1.19	1.19	5.47	4.41			
Real Estate	\$331,650,032	3.50	0.01	0.01	6.64	10.92	11.14	12.67	12.60
<i>Real Estate Blend</i>									
Timber	\$34,082,524	0.36	0.04	0.04	1.10	9.21	6.88	7.38	6.13
<i>S&P Global Timber & Forestry Index Net</i>			-28.32	-28.32	-23.36	-4.02	-0.85	1.20	3.20
Infrastructure	\$172,283,119	1.82	-5.13	-5.13	-0.05	0.89	2.93	4.06	3.83
<i>Private Infrastructure Blend</i>			-12.00	-12.00	-4.82	0.85	2.55	3.03	3.87
Commodities	\$205,959,557	2.17	-0.14	-0.14	8.74	-2.68	9.09	1.46	2.81
<i>Bloomberg Commodity Index Total Return</i>			-23.29	-23.29	-22.31	-8.61	-7.76	-10.04	-6.74
Agriculture & Farmland	\$249,833,861	2.64	-2.76	-2.76	10.42	11.14	6.28	9.05	
<i>S&P Global Agribusiness Equity Index TR</i>			-26.60	-26.60	-18.77	-3.55	-1.00		
Diversifying Strategies	\$846,527,344	8.93	0.65	0.65	8.27	5.54	5.07	6.42	
<i>Diversifying Strategies Blend</i>			-7.16	-7.16	0.35	3.25	2.37	3.61	

PDA Funds

Program	Assets	Participants	Average Account Size	Weighted Average Fee	Default Option
DC Plan	\$724,429,875	25,992	\$27,871	0.39%	Retirement Strategies
HCSP	\$220,172,148	25,445	\$8,653	0.39%	Retirement Strategies
457 Program	\$155,917,673	7,430	\$20,985	0.41%	Retirement Strategies
MERS IRA	\$1,819,081	148	\$12,291	0.41%	Retirement Strategies
TOTAL	\$1,102,338,777	59,015	\$18,679		

Institutional Funds

Program	Assets	Municipalities	Average Account Size	Weighted Average Fee
RHFV	\$991,020,568	300	\$3,303,402	0.45%
ISP	\$43,577,513	5	\$8,715,503	0.46%
TOTAL	\$1,034,598,081	305	\$3,392,125	

Investment Allocations

	PDA	Institutional Funds	Total
Retirement Strategies	\$774,607,238		\$774,607,238
Total Market Fund	\$31,550,465	\$12,802,836	\$44,353,300
Asset Allocation Portfolios	\$68,436,178	\$134,414,265	\$202,850,443
Asset Specific funds	\$253,563,240	\$24,132,773	\$277,696,013
Self-directed Brokerage	\$4,288,784		\$4,288,784
TOTAL	\$1,132,445,904	\$171,349,874	\$1,303,795,778

Program Highlights

- Changed HCSP default option
- Completed HCSP re-enrollment
- Decreased custody and recordkeeping expenses by 2 bps
- Completed glide-path review in AB
- Allowed for options in Brokerage Window

Future Research

- Custodial Bank RFP
- Additional use of indexes within menu
- Use of annuities within glide-path
- Site visits to AB and Alerus

Retirement Strategies for PDA Accounts

MERS Retirement Strategies	Assets	Expense Ratio	1 Year	3 Year	5 Year	10 Year
Retirement Income Fund	\$11,093,946	0.38%	-0.44	2.39	2.23	
MERS 2010 Retirement Strategy	\$21,149,186	0.39%	-1.67	2.34	2.40	
MERS 2015 Retirement Strategy	\$70,258,335	0.39%	-3.77	2.05	2.44	
MERS 2020 Retirement Strategy	\$78,942,849	0.39%	-5.99	1.63	2.34	
MERS 2025 Retirement Strategy	\$148,637,321	0.40%	-7.50	1.37	2.32	
MERS 2030 Retirement Strategy	\$101,631,576	0.40%	-8.71	1.26	2.41	
MERS 2035 Retirement Strategy	\$95,494,377	0.40%	-9.93	1.15	2.47	
MERS 2040 Retirement Strategy	\$82,152,931	0.40%	-11.68	0.75	2.34	
MERS 2045 Retirement Strategy	\$64,883,094	0.39%	-12.85	0.40	2.19	
MERS 2050 Retirement Strategy	\$50,328,175	0.39%	-12.96	0.38	2.17	
MERS 2055 Retirement Strategy	\$34,140,670	0.39%	-12.88	0.41	2.20	
MERS 2060 Retirement Strategy	\$15,852,307	0.39%	-12.89	0.42		
MERS 2065 Retirement Strategy	\$42,472					
TOTAL	\$774,607,238					

Premium Select Options – Portfolios Built for You

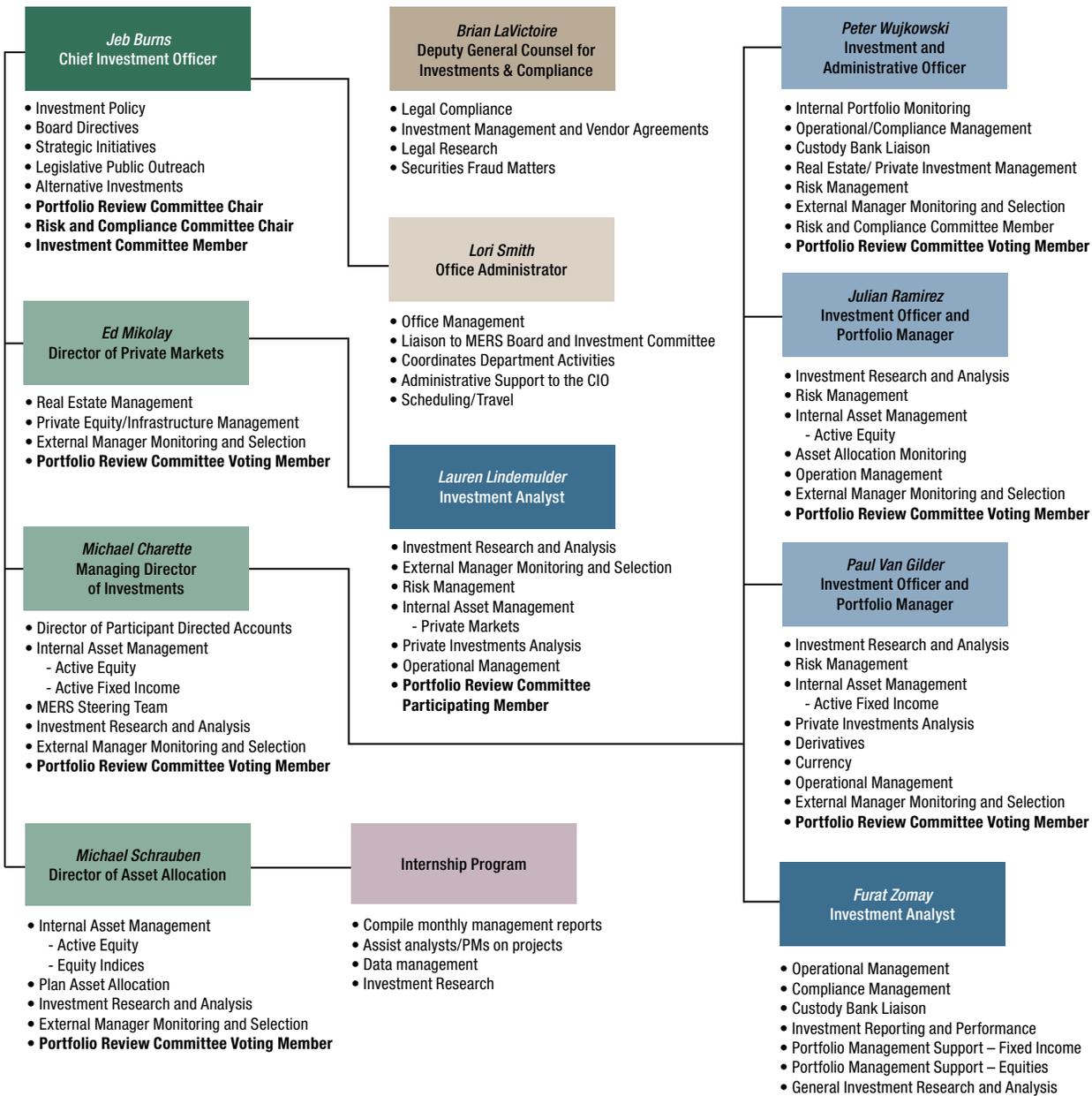
MERS Portfolio Options	Assets	Expense Ratio	1 Year	3 Year	5 Year	10 Year
MERS Total Market Portfolio	\$907,601,508	0.56%	-5.90	1.35	2.89	5.84
<i>MERS Policy Benchmark</i>			-4.98	3.09	3.33	5.57
MERS Global Stock Portfolio (100/0)	\$2,719,965	0.55%	-17.43	-1.10	1.91	
<i>Blended Benchmark</i>			-11.26	1.50	2.85	
MERS Capital Appreciation Portfolio (80/20)	\$20,150,674	0.49%	-13.58	-0.42	2.33	
<i>Blended Benchmark</i>			-7.13	3.05	4.02	
MERS Established Market Portfolio (60/40)	\$105,798,440	0.50%	-8.75	0.76	2.72	5.40
<i>Blended Benchmark</i>			-3.07	3.66	3.99	6.41
MERS Balanced Income Portfolio (40/60)	\$5,570,726	0.51%	-4.01	1.83	3.00	
<i>Blended Benchmark</i>			0.97	4.15	3.87	
MERS Capital Preservation Portfolio (20/80)	\$8,276,127	0.49%	1.03	2.98	3.41	
<i>Blended Benchmark</i>			5.14	4.58	3.70	
MERS Diversified Bond Portfolio (0/100)	\$28,784,045	0.52%	4.13	3.05	2.64	3.66
<i>BBG BARG Aggregate</i>			-4.80	-1.77	-0.71	-0.23
Total	\$1,078,901,486					

APPENDIX

Investment Decision Making Roles and Responsibilities

<p>MERS BOARD</p>	<ul style="list-style-type: none"> • Is the System's fiduciary • Appoints public members with investment expertise to serve on the Investment Committee • Appoints one Board member for two years to observe Investment Committee meetings (observer does not have voting privileges) • Monitors activity of the Investment Committee • Approves governance documents (Investment Guidelines, Defined Benefit Investment Policy Statement, and Participant Directed Accounts & Institutional Funds Investment Policy Statement) • Sets the Fund's asset class allocation ranges • Establishes the long-term actuarial investment return assumption • Approves the System's Policy Benchmark
<p>INVESTMENT COMMITTEE</p>	<ul style="list-style-type: none"> • Contains three voting Board members, including two public members with investment expertise • Includes CEO and CIO (both non-voting members) • Serves as the Board's investment policy development arm • Monitors investment management activity and policy recommendations developed by the Office of Investments • Approves PRC investment recommendations to hire/terminate investment managers above PRC discretionary size limits • Provides advice on investment activities including: industry best practices, fiduciary duties, and risk expectations of the Board • Monitors portfolio risk and asset allocation
<p>PORTFOLIO REVIEW COMMITTEE</p>	<ul style="list-style-type: none"> • Office of Investments decision making body chaired by the CIO and key Office of Investments staff • Voting members are appointed by the CIO • Reports decisions to the Investment Committee • Determines and implements the Fund's asset allocation within Board approved allocation ranges • Approves investments and co-investments up to discretionary size limits • Develops and maintains PRC operating guidelines
<p>OFFICE OF INVESTMENTS</p>	<ul style="list-style-type: none"> • Carries out all investment activity on behalf of the System; including policy documentation for Board approval • Hires/terminates all consultants, vendors, and custodial bank • Provides a quarterly report on the Fund's activities and performance • Reports any material changes within the Fund to the Investment Committee and Board • Internally manages a portion of the Fund • Monitors external investment managers • Conducts its affairs in a manner that reflects the highest standards of ethical conduct, and complies with CFA Institute Code of Ethics and Standards of Professional Conduct
<p>MERS INVESTMENT MANAGEMENT RISK AND COMPLIANCE COMMITTEE</p>	<ul style="list-style-type: none"> • Provides investment oversight outside of the Office of Investments, monitors operational market, and regulatory issues that may materially impact portfolio performance or put MERS at risk of regulatory sanctions • Promotes cross office discussion regarding varying potential risks including prevention and solutions • Consists of CEO, CIO, Chief Financial Officer, Deputy General Counsel for Investments and Compliance, Internal Auditor, Investment and Administrative Officer, and Analysts from the Office of Investments • Meets on a quarterly basis

Organizational Chart



Guiding Principles

- Collaborative team environment
- Robust collegial debate and cognitive diversity is critical
- Progressive and willing to deviate from conventional wisdom
- Commitment to continuous improvement and efficiency gains
- Relentless pursuit of fiduciary excellence

This publication is designed to provide descriptive information only. Investors should research all possible investment choices. Please make independent investment decisions carefully and seek the assistance of independent experts where appropriate. We recommend investors define their goals, risk tolerance, time horizon, and investment objectives to determine whether this fund is appropriate for you.

Investors should read the fund summary sheets and carefully consider the investment objective, risks, and fees of the fund before investing. The fund summary sheets may be found on the MERS website at www.mersofmich.com. To request the fund summary sheets, please contact the MERS Service Center at 800.767.6377.

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 03/31/2020. 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.

