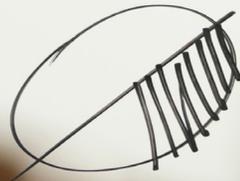


TARGET
MARKET
SHARE



GROWTH %

MERS Investment Options

For MERS Investment Services Program & Retiree Health Funding Vehicle

INVESTMENT OPTIONS

The MERS Investment Services Program (ISP) and Retiree Health Funding Vehicle (RHFV) give your municipality the option to use 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 mix 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 pages include a brief summary of each investment option. Additional information can be found at www.mersofmich.com/Investments.

Municipalities selecting investment options under ISP or RHFV are responsible for compliance with the investment limitations governing the investment of assets of public employee retirement systems and health care investment trusts under the Public Employee Retirement System Investment Act, 1965 PA 314.

PORTFOLIOS BUILT FOR YOU

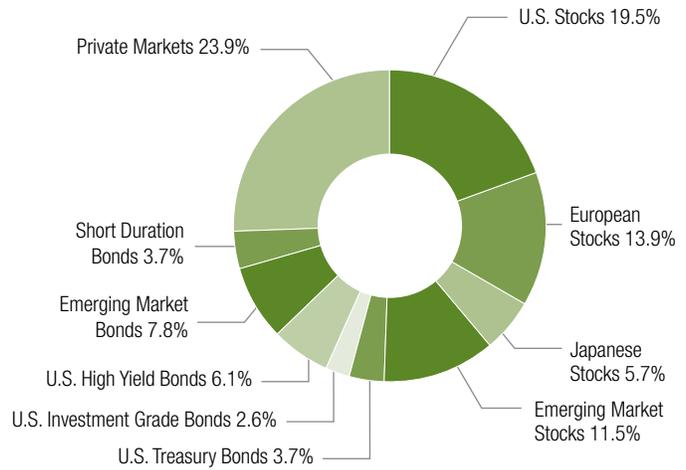
MERS uses both internal and external institutional investment managers to build these professionally managed portfolios, each of which has a target asset allocation that is rebalanced on a quarterly basis.

These proprietary portfolios are overseen by the MERS Office of Investments and offer attractive risk-adjusted returns at below market cost, thanks to the economies of scale created by the MERS defined benefit portfolio.



MERS Total Market Portfolio

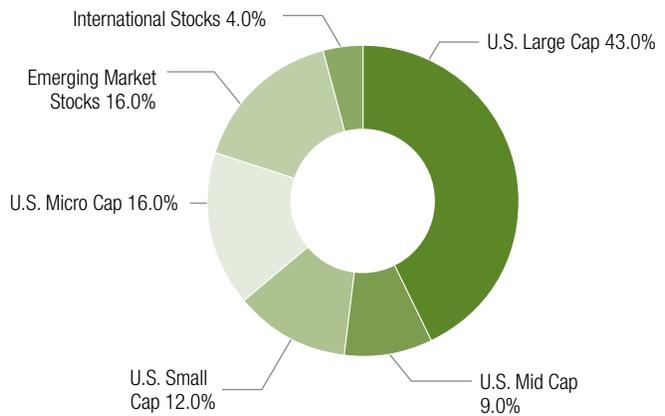
Is a fully diversified portfolio, investing in both traditional (stocks, bonds, and cash) and alternative (private equity, commodities, real estate) asset classes. The objective of the Total Market Fund is to provide growth of income while minimizing market volatility and providing protection in down markets. The asset allocation (investment mix) is set by the MERS Office of Investments, under the direction of the Retirement Board. The asset allocation is reviewed regularly with a focus on long term investing. The Office of Investments is responsible for monitoring and hiring the underlying investment managers, and they also have the ability to make strategic allocations in response to the market environment.



MERS Global Stock Portfolio

(100% Stocks and 0% Bonds)

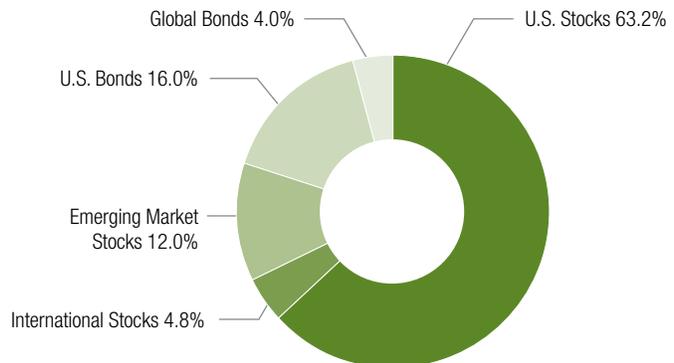
Is a diversified portfolio that invests solely in a combination of U.S. and foreign stocks, seeking to provide long-term growth of capital. The fund has a target allocation of 100% global stocks, which is rebalanced quarterly between the target stock allocation as shown in the corresponding chart. This fund has a focus on above average asset growth with a long time horizon and may experience substantial fluctuations in value.



MERS Capital Appreciation Portfolio

(80% Stocks and 20% Bonds)

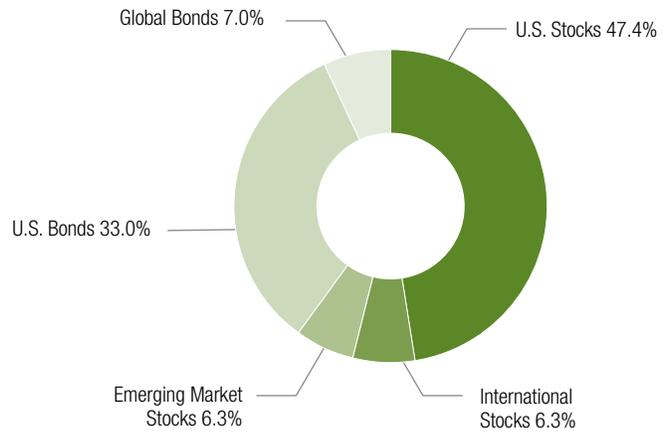
Is a diversified portfolio that invests in a combination of stocks and bonds, seeking to provide long-term growth of capital. The fund has a target allocation of 80% stocks and 20% bonds, which is rebalanced quarterly. This fund has a focus on above average asset growth with a long time horizon and may experience substantial fluctuations in value.



MERS Established Market Portfolio

(60% Stocks and 40% Bonds)

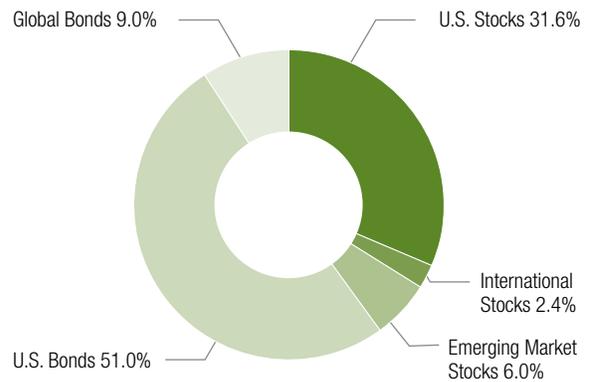
Is a diversified portfolio that invests in a combination of stocks and bonds, seeking to provide long-term growth of capital and income. The fund has a target allocation of 60% stocks and 40% bonds, which is rebalanced quarterly. This fund has a focus on stable growth with a moderate time horizon and may experience moderate fluctuations in value.



MERS Balanced Income Portfolio

(40% Stocks and 60% Bonds)

Is a diversified portfolio that invests in a combination of stocks and bonds, seeking to provide growth of capital and downside protection. The fund has a target allocation of 40% stocks and 60% bonds, which is rebalanced quarterly. This fund has a focus on a small amount of asset growth with a moderately short time horizon and may experience some fluctuations in value.

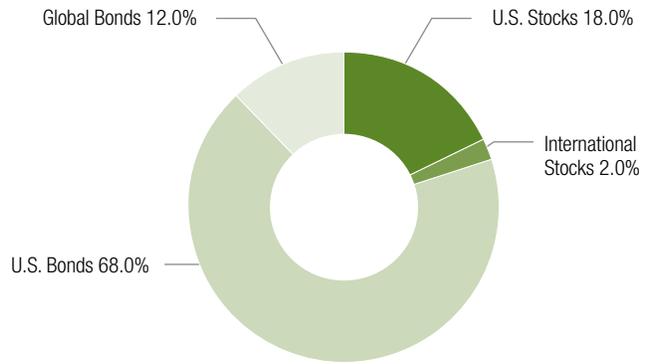


Invest

MERS Capital Preservation Portfolio

(20% Stocks and 80% Bonds)

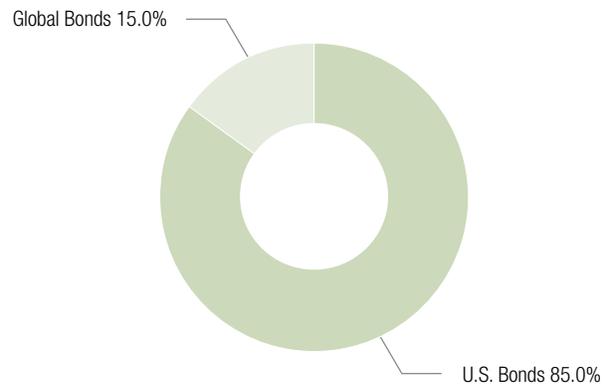
Is a diversified portfolio that invests in a combination of stocks and bonds, seeking to preserve capital and provide income. The fund has a target allocation of 20% stocks and 80% bonds, which is rebalanced quarterly. This fund has a focus on stability with a short time horizon and aims to minimize fluctuations in value.



MERS Diversified Bond Portfolio

(0% Stocks and 100% Bonds)

Is a diversified portfolio that invests in a combination of U.S. and foreign bonds, seeking to preserve capital and provide income. The fund has a target allocation of 100% bonds, and is rebalanced quarterly between the target bond allocation as shown in the corresponding chart. This fund has a focus on stability with a short time horizon and aims to minimize fluctuations in value.



FUNDS TO BUILD YOUR OWN PORTFOLIO

Large Cap Stock Index

Large cap companies have market capitalization between \$10 billion and \$200 billion. This fund is managed with the objective of duplicating the performance of securities in the S&P 500 Index by investing in all or most of the securities included in that index.

Mid Cap Stock Index

Short for “Middle Cap,” mid cap refers to stocks with a typical market capitalization between \$2 billion to \$10 billion. This fund is managed with the objective of duplicating the performance of securities in the S&P 400 Index by investing in all or most of the securities included in that index.

Small Cap Stock Index

Small cap refers to stocks with a relatively small market capitalization. The definition of small cap can vary, but generally it is a company with a market capitalization between \$300 million to \$2 billion. This fund is managed with the objective of duplicating the performance of securities in the S&P 600 Index by investing in all or most of the securities included in that index.

International Stock Index *(not available for ISP)*

This fund offers investors a way to gain investment exposure to developed international (non-U.S.) economies. The fund is managed with the objective of duplicating the performance of securities in MSCI EAFE Index by investing in all or most of the securities included in that index.

Emerging Market Stock

This fund invests in emerging market (developing) countries, which are in Eastern Europe, Africa, the Middle East, Latin America, the Far East, and Asia. These regions are considered opportunity for superior growth prospects compared to countries with more developed financial markets. The potential, however, for rewarding investment opportunities in developing countries comes with relatively higher risk compared to other domestic and more developed international markets.

Short-Term Income

The short-term Income may be most appropriate for someone with a shorter investment horizon, seeking reduced account fluctuation and willing to accept reduced growth opportunity. This fund invests primarily in short duration fixed income securities, such as short-term bonds. Short-term bonds tend to have lower risk and lower yields than longer-term bonds, which typically offer higher yields, but also greater fluctuation. The reason for this is that longer-term bonds lock up the investors' money for a longer period than short-term bonds, which leaves more time for interest rate movements to affect the bond's price. The longer the time until maturity, the larger the potential price fluctuations due to interest rate risk.

Municipal Employees' Retirement System of Michigan

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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.MERS (6377).

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