MERS®
Municipal Employees' Retirement System

Understanding the MERS Investment Menu

For participants in the MERS Defined Contribution Plan, MERS Hybrid Plan, MERS Health Care Savings Program, MERS 457 Supplemental Retirement Program or MERS IRA

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Note: 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 a 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/investments. To request the fund summary sheets, please contact the MERS Service Center at 800.767.MERS (6377).

UNDERSTANDING YOUR INVESTMENT CHOICES

The MERS Investment Menu is simplified into three categories to help you find the investment mix that best meets your investment style.

Choose the investment category that feels the most comfortable to you:

"Do it for me"

The Retirement Strategies are a simplified way to invest. These options are fully diversified, professionally managed, and automatically adjust over time as you get closer to retirement.

"Help me do it"

These Premium Select Options were actively chosen for you by MERS. Here you have access to pre-built portfolios that MERS helps you manage by monitoring the investment managers and rebalancing the portfolio quarterly. It also gives you access to selected funds to help you build your own portfolio.

"I'll do it myself"

The Self-Directed Brokerage Account gives you access to funds outside of MERS investment menu. The available investments under this window have not been reviewed by MERS. You are solely responsible for determining the appropriateness of the investment options.

You'll find additional information on our website, as well as forms, benefit calculators, and helpful tutorials.

You can also contact MERS Service Center weekdays by calling 800.767.MERS (6377).

Investment Menu Oversight

The MERS Retirement Board and Office of Investments select and monitor the investment choices that are available to you. They actively review the fund lineup, investment managers, and index funds available and make changes as needed based on strict criteria.

The following are some examples of the criteria used to guide decisions:

- Comparative risk ratio against peers and benchmarks
- Comparative expense ratio against peers in its category
- Consistent investment style
- Stable investment management team
- Material legal, regulatory, or reputation changes

How Does This Benefit You?

You receive an experienced team that oversees the investment choices available to you. They do the necessary research, due diligence and monitoring of the various managers of the funds – ensuring you have quality options available.

1 *Retirement Strategies*
Target Date Funds

"DO IT FOR ME"

A simple, effective, all-in-one investment choice to help you save for retirement. Retirement Strategies may come in a single package, but each fund is highly diversified to help you put your money to work more effectively toward your retirement goals.

Retirement Strategies provide:

- Diversification across asset types and styles
- An asset mix that adjusts over time
- Volatility management
- Research-driven active management
- Disciplined rebalancing to stay on track

Each fund is named for a **"target date"—the approximate year you expect to retire and start withdrawing from your account**. Funds furthest from their target dates emphasize growth potential by allocating retirement investments almost entirely to stocks. As investors move closer to—and into—retirement, the funds automatically adjust to a more conservative asset mix. Fifteen years after reaching your target date, your fund will merge with the Retirement Income Fund.

Participants are initially placed into the age-appropriate Retirement Strategy fund when enrolled.

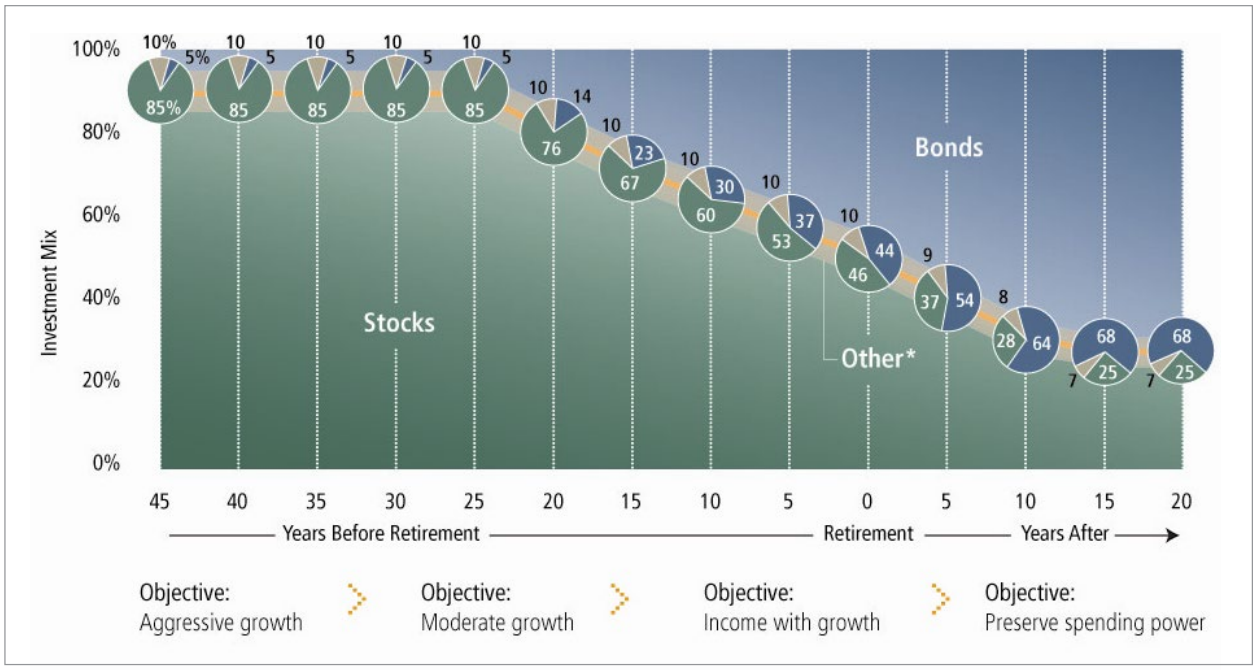
Name	For participants retiring near the year	Name	For participants retiring near the year
2010 Retirement Strategy	2010	2040 Retirement Strategy	2040
2015 Retirement Strategy	2015	2045 Retirement Strategy	2045
2020 Retirement Strategy	2020	2050 Retirement Strategy	2050
2025 Retirement Strategy	2025	2055 Retirement Strategy	2055
2030 Retirement Strategy	2030	2060 Retirement Strategy	2060
2035 Retirement Strategy	2035	2065 Retirement Strategy	2065

Investments in the funds are not guaranteed against loss of principal: at any time, your account value may be more or less than the original amount invested—including at the time of the fund's target date. The funds do not guarantee sufficient income in retirement. In addition to age or retirement date, other factors to consider include your risk tolerance, personal circumstances and complete financial situation. You should conduct your own due diligence or consult with your financial advisor before making any investment decisions.

MERS Retirement Strategies are managed by AllianceBernstein L.P. AllianceBernstein designs and implements the asset allocation and actively manages the glide path. The investment components are passively managed by State Street Global Advisors. For actual investment allocation information, please visit our website, *www.mersofmich.com/investments.*

Glide Path

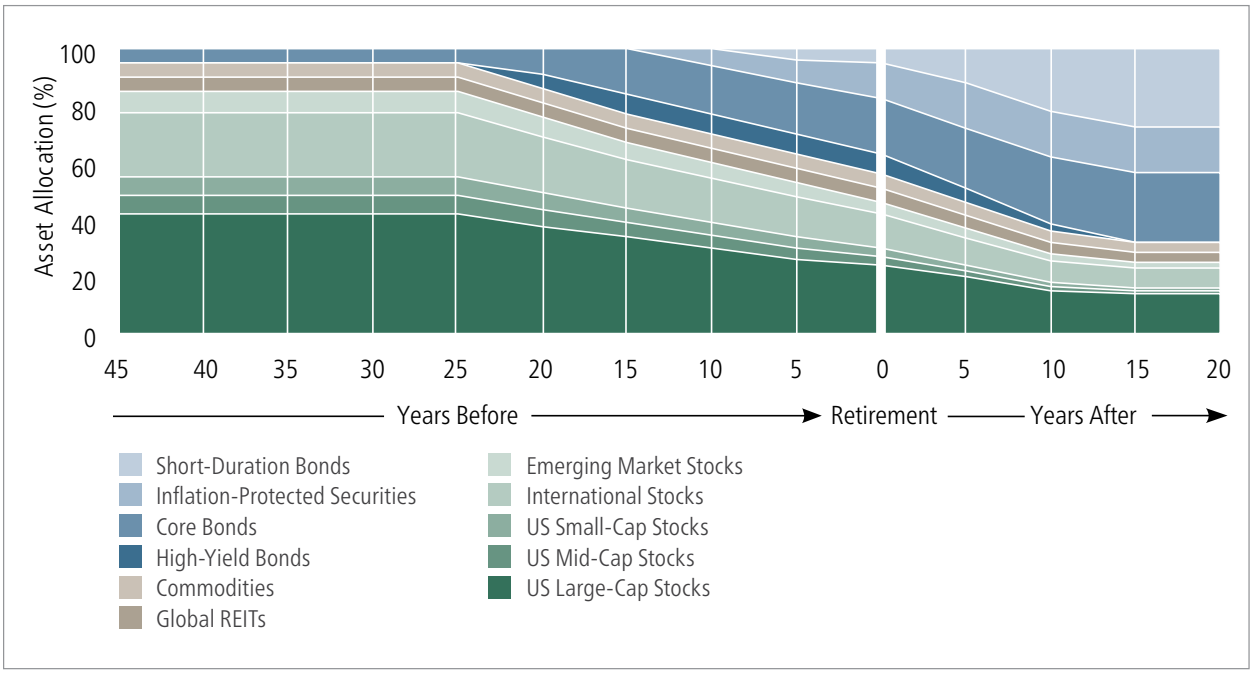
This chart shows how the mix between stocks and bonds gradually changes over a lifetime as you approach and age through retirement.



**Other includes Global Real Estate Investment Trusts (REITs) and Commodities*

Diversification Across Asset Types and Styles

As an investor, your money is spread over as many as 12 different asset types, equity styles and geographies—the best ideas of AllianceBernstein's portfolio teams in a single fund. Please note that diversification does not eliminate the risk of loss.



An Asset Mix that Adjusts over Time

As retirement gets closer, and well beyond that date, the fund gradually adjusts to a more conservative investment mix to focus more on protecting principal and generating income. That means fewer stocks as well as more bonds and short-term investments.

While diversification and shifting to a more conservative investment mix over time helps to manage risk, it does not guarantee earnings growth. There is a potential to lose money in any investment program. You do not have the ability to actively select the investments within a Retirement Strategy. The AllianceBernstein's portfolio managers control your security selection and asset allocation.

Volatility Management

During periods of extreme volatility, AllianceBernstein tries to reduce the severity of extreme outcomes. Their volatility-management component invests in a mix of stocks and Real Estate Investment Trusts (REITs) in normal markets, but has the ability to move into bonds and cash when it's appropriate to reduce overall portfolio risk.

Research-Driven Active Management

Retirement Strategies reflect AllianceBernstein's extensive experience in developing retirement solutions to satisfy investors' objectives. For many years, they've invested in proprietary forecasting tools to assist them in investment portfolio management that incorporates the unpredictability of the markets in order to produce greater certainty of meeting a desired goal.

The fund will be actively managed for 15 years after retirement, becoming gradually more conservative and placing greater emphasis on income and risk reduction.

2 Premium Select Options
Options selected by MERS

"HELP ME DO IT" Premium Select Options were actively chosen for you by MERS. Here you have access to portfolios built for you and funds to build your own portfolio.

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.

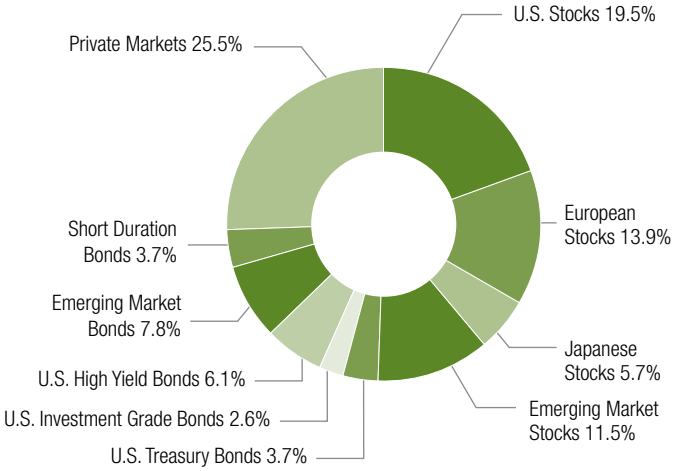
These proprietary portfolios are overseen by the MERS Office of Investments and offer attractive risk-adjusted returns at below market cost, thanks to the economies of scale created by the MERS defined benefit portfolio.

! Any changes in your age or financial situation could mean a different investment mix may be appropriate. With this in mind, it's always a good idea to review your investment choices regularly to make sure they are still suitable.

PORTFOLIOS BUILT FOR YOU

MERS Total Market Portfolio

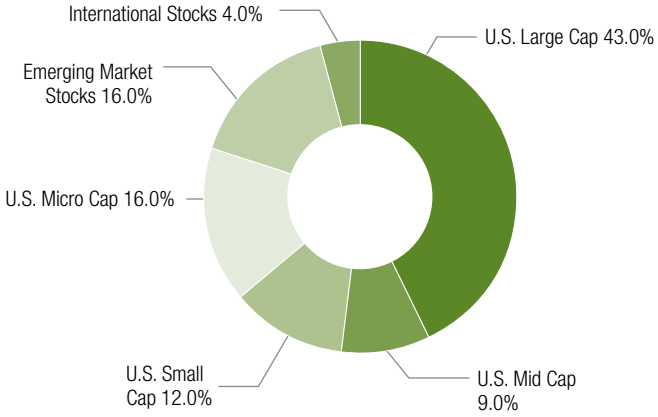
A fully diversified portfolio, investing in both traditional (stocks, bonds, and cash) and alternative (private equity, commodities, real estate) asset classes. The objective of the Total Market Portfolio is to provide growth of income while minimizing market volatility and providing protection in down markets. The target asset allocation (investment mix) is set by the MERS Office of Investments, under the direction of the Retirement Board. The target allocation is reviewed every five years 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)

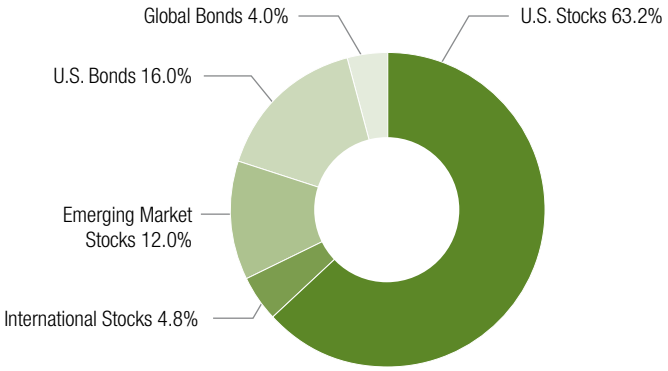
A diversified portfolio that invests solely in a combination of U.S. and foreign stocks, seeking to provide long-term growth of capital. The fund has a target allocation of 100% global stocks, which is rebalanced quarterly between the target stock allocation as shown in the corresponding chart. This 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)

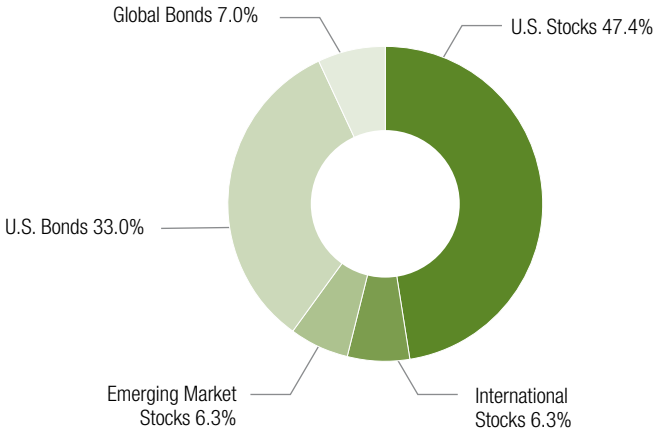
A diversified portfolio that invests in a combination of stocks and bonds, seeking to provide long-term growth of capital. The fund has a target allocation of 80% stocks and 20% bonds, which is rebalanced quarterly. This fund has a focus on above average asset growth with a long time horizon and may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



MERS Established Market Portfolio

(60% Stocks and 40% Bonds)

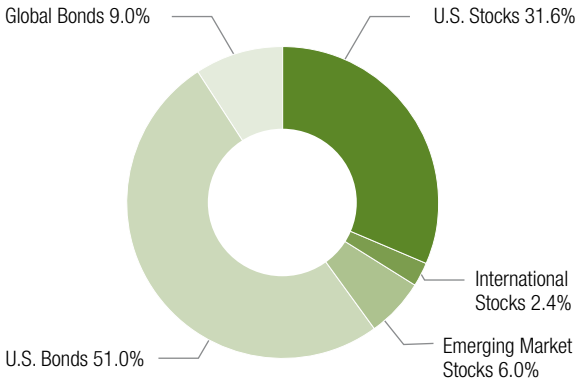
A diversified portfolio that invests in a combination of stocks and bonds, seeking to provide long-term growth of capital and income. The fund has a target allocation of 60% stocks and 40% bonds, which is rebalanced quarterly. This fund has a focus on stable growth with a moderate time horizon and may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



MERS Balanced Income Portfolio

(40% Stocks and 60% Bonds)

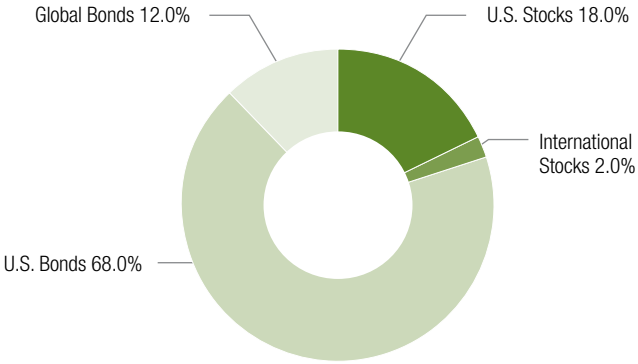
A diversified portfolio that invests in a combination of stocks and bonds, seeking to provide growth of capital and downside protection. The fund has a target allocation of 40% stocks and 60% bonds, which is rebalanced quarterly. This fund has a focus on a small amount of asset growth with a moderately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



MERS Capital Preservation Portfolio

(20% Stocks and 80% Bonds)

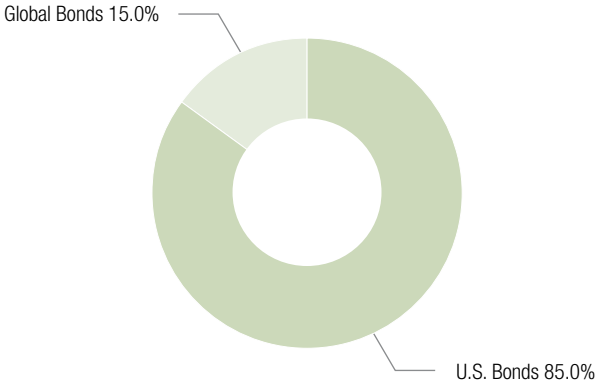
A diversified portfolio that invests in a combination of stocks and bonds, seeking to preserve capital and provide income. The fund has a target allocation of 20% stocks and 80% bonds, which is rebalanced quarterly. This fund has a focus on stability with a short time horizon and aims to minimize fluctuations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

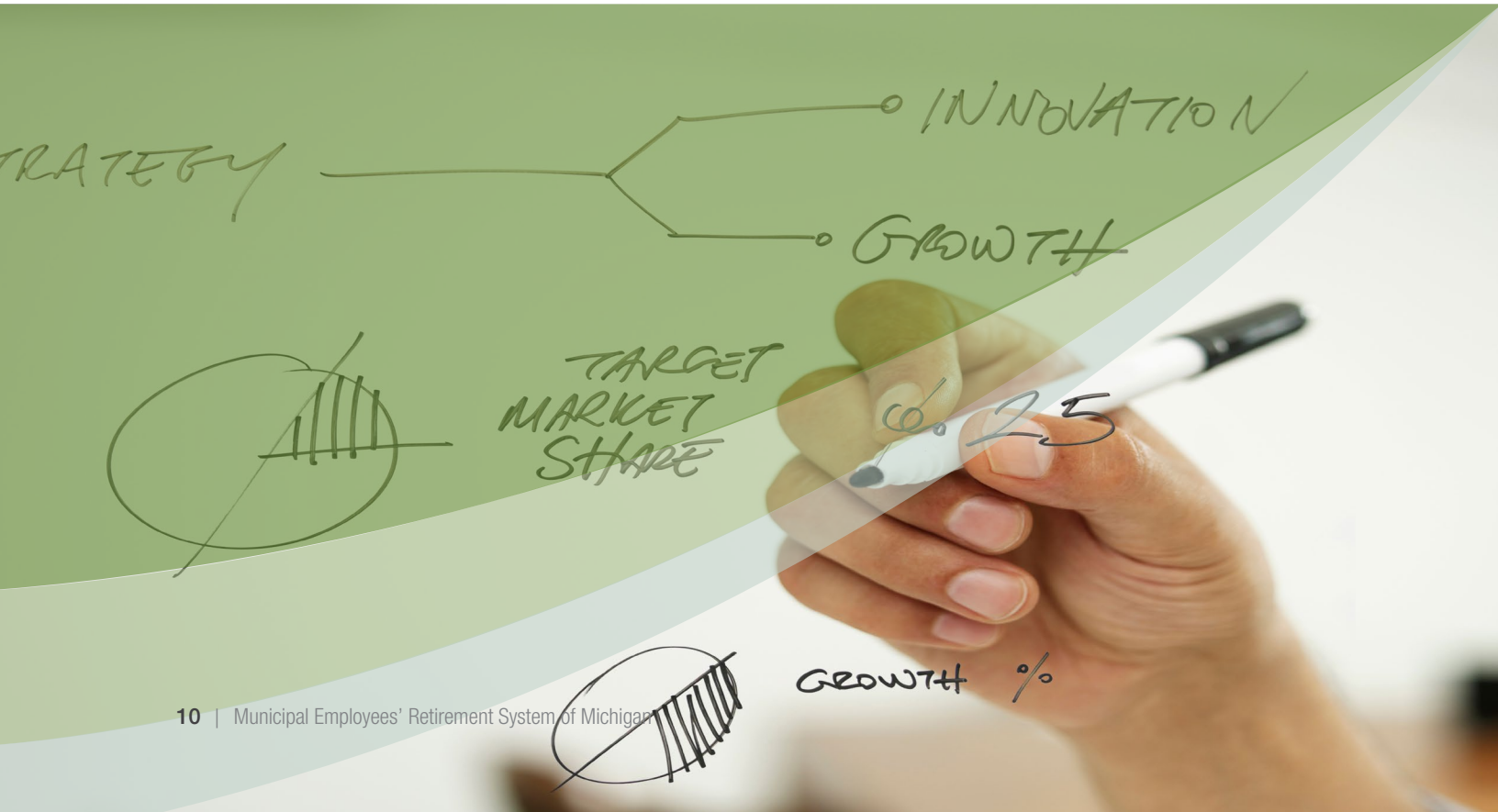


MERS Diversified Bond Portfolio

(0% Stocks and 100% Bonds)

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

These pre-selected options give you a variety of available funds from which to choose. These funds are actively monitored by MERS, ensuring that quality choices are available. These funds can be used alongside either the Retirement Strategies or pre-built portfolios, giving you the ability to further diversify your investment portfolio and fine-tune your strategy.

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 a broad-based index by investing in all or most of the securities included in that index. Large cap investments may be most appropriate for someone willing to accept market fluctuations in return for long-term capital growth. Stock investments tend to be more volatile than bond or stable value investments.

Mid Cap Stock Index

Short for "Middle Cap," mid cap refers to stocks with a market capitalization between $2 billion to $10 billion. This fund is managed with the objective of duplicating the performance of securities in a broad-based index by investing in all or most of the securities included in that index. Mid cap investments may be most appropriate for someone seeking potential returns over time and willing to weather market downturns. Medium-sized companies may suffer more significant losses as well as realize more substantial gains than large cap funds.

Small Cap Stock Index

Small cap refers to stocks with a relatively small market capitalization. The definition of small cap can vary among brokerages, 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 a broad-based index by investing in all or most of the securities included in that index. Small cap investments may be most appropriate for someone with a longer investment horizon, seeking longer-term capital growth, and willing to accept larger market fluctuations. Small cap funds may be more volatile than funds that invest in larger, more established companies.

International Stock Index

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 a broad-based international stock market index by investing in all or most of the securities included in that index. Because it invests in non-U.S. stocks, this fund can be more volatile than a domestic fund. International stock investments may be most appropriate for someone with a longer investment horizon, seeking longer-term capital growth, and willing to accept larger fluctuations.

Emerging Market Stock

Investments in emerging market (developing) countries may be most appropriate for someone with a longer investment horizon, seeking longer-term capital growth, and willing to accept substantial market fluctuations. For the most part, emerging market countries are in Eastern Europe, Africa, the Middle East, Latin America, the Far East, and Asia, where 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.

Real Estate Stock

Real estate investments may be most appropriate to investors seeking to diversify their portfolio beyond bonds and common stocks. It offers income from real estate holdings and moderate long-term price appreciation. Because it invests primarily in small-to-medium capitalization companies, the volatility could be comparable to other small to mid-sized companies.

Bond Index

Bond investments may be most appropriate for someone seeking higher potential income than with a stable value investment. The investor may want to balance more aggressive investments with one providing potentially steady income. A bond fund's yield, share price, and total return change daily and are based on changes in interest rates, market conditions, economic and political news, and the quality and maturity of its investments. In general, bond prices fall when interest rates rise and vice versa. This fund is managed with the objective of duplicating the performance of securities in a broad-based index by investing in all or most of the securities included in that index.

High Yield Bond

Investments in high yield bonds may be most appropriate for someone with a longer investment horizon seeking long term capital appreciation, and willing to accept more fluctuation than other bond funds. Although this fund invests in bonds, high yield bonds tend to have volatility similar to that of the stock market, since it invests primarily in bonds with a lower credit rating than investment grade bonds. High yield bonds (commonly known as "junk bonds") are issued by an entity that lacks the long-term growth to earn an investment grade rating from credit rating agencies. High yield bonds are considered primarily speculative with respect to the issuer's continuing ability to make principal and interest payments, and may be more volatile than higher-rated securities of similar maturity. Because of the higher risk of default, these bonds typically pay a higher yield than investment grade bonds.

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.

Stable Value

(Not available for Health Care Savings Program or Individual Retirement Accounts)

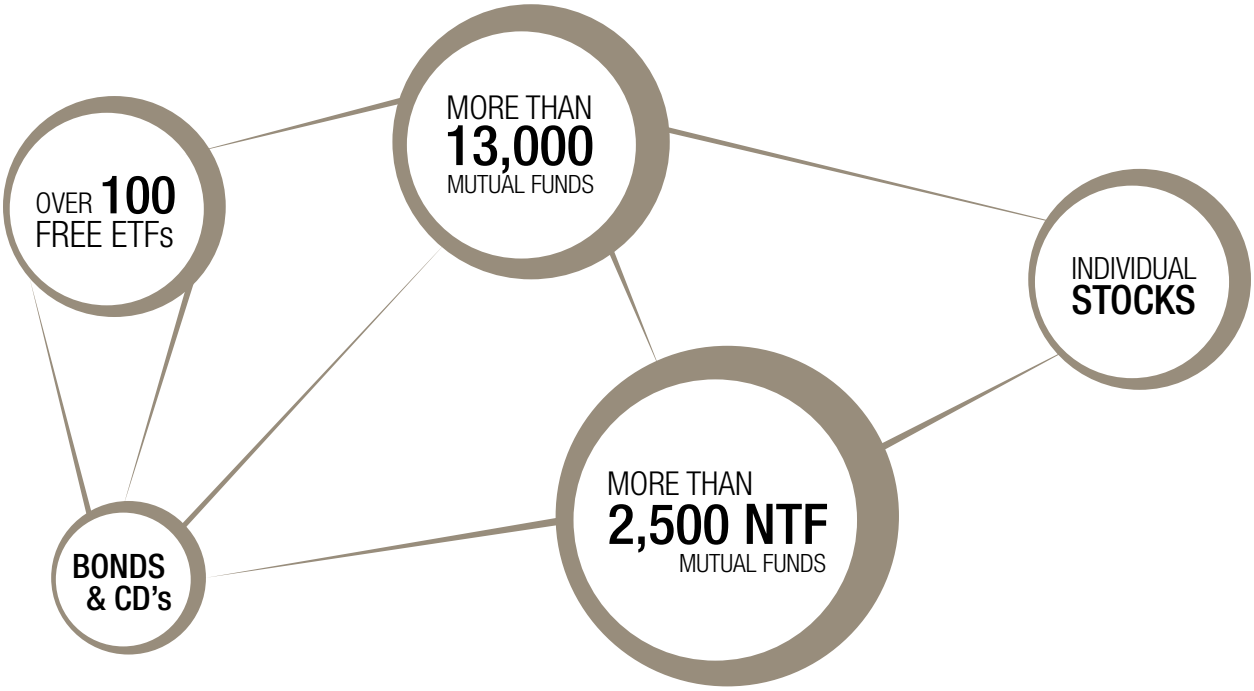
Stable Value investment may be most appropriate for someone wanting to safeguard their principal value or to balance their portfolio when holding other more aggressive investments. Returns will vary, but the investor may experience greater stability than bond funds.

3 Self-Directed Brokerage Account

"I'LL DO IT MYSELF"

The Self-Directed Brokerage Account (SDBA) is available to participants who want to independently and actively manage an even greater choice of investments. It is for the experienced investor who wants the freedom to invest a portion of their account into a wide array of investments, such as thousands of publicly-traded mutual funds, exchange traded funds and individual securities.

The SDBA is available to participants in the MERS Defined Contribution Plan, Hybrid Plan and the 457 Supplemental Retirement Program. This option gives you access to a much broader range of investments, including individual stocks, bonds, CDs, over 100 commission-free Exchange Traded Funds (ETFs), and more than 13,000 mutual funds, including more than 2,500 No-Load, No-Transaction-Fee (NFTs) Mutual Funds through **TD Ameritrade**. It allows you the convenience of online trading, the power of innovative research tools, and the support of retirement brokerage specialists.



The SDBA is for knowledgeable investors who seek more investment choices, and who understand the risks and costs associated with the investments offered in the SDBA. Unlike the Retirement Strategies and Premium Select Options, the investment choices available through the SDBA, are not approved, selected, monitored, or reviewed by MERS or your employer. When you elect to open an SDBA, you assume the sole responsibility for researching, selecting, monitoring, and managing the investments.

With the SDBA, you get access to a comprehensive library of resources designed to help you make more informed investing decisions. The online screeners can help you apply filtering criteria, such as ratings, fundamentals, valuation, performance, price, and volume to help you generate investment ideas that might fit your individual strategies. In addition, you can easily access the SDBA through mobile apps or by calling to connect with dedicated participant service representatives at TD Ameritrade.

You are eligible to open an SDBA once your account balance grows above $5,000, which is the minimum amount that must continue to be invested in either the Retirement Strategies or Premium Select Options. Once established, you may transfer any amount beyond the $5,000 to the SDBA.

SELF-DIRECTED BROKERAGE ACCOUNT

CHOICE + FLEXIBILITY + CONTROL

How do I open a SDBA?

1. Log-in to your myMERS account.
2. Select your MERS program and click “Change my Investments”.
3. Click “Self Directed Brokerage” at the bottom of the left navigation bar (not available for MERS Health Care Savings Program and MERS IRA participants).
4. Click the “Enroll Now” button.
5. Read and acknowledge the disclaimers and fee information from TD Ameritrade
6. TD Ameritrade will process the application and send you the SDBA login information to your account at TD Ameritrade
7. Once established, you may log-in to your myMERS account and begin transferring a portion of your account balance to your SDBA

UNDERSTANDING HOW TO PICK YOUR MIX

Finding the right mix, or asset allocation, is an important step to successful investing. Asset allocation is the strategy of spreading your investments across different asset classes (or investment types), such as stock funds or bond funds. A smart asset allocation helps you manage investment risk and take advantage of more favorable market conditions. As a general rule, when investments in one class underperform, investments in other classes perform better. By spreading your investments among different asset classes, you can better weather the ups and downs of the market because you don't depend on any one type of investment to carry the load for your investment mix.

Conservative, moderate, and aggressive investors usually allocate investments in different ways. To help you find the right mix, use our free resources online at www.mersofmich.com.

UNDERSTANDING HOW COSTS AFFECT YOUR RETIREMENT ACCOUNT

As with anything you buy, there are fees and costs associated with investment products and services.

investing more dollars makes a lot of sense

MERS helps participants save by offering **lower investment costs** than many competitors, putting more retirement dollars to work. Those costs add up, and can **make a big difference** over time.

Let's take $25,000 as an example:
$25,000 growing for 30 years at an average return of 7%

average fund experience

MERS® Municipal Employees' Retirement System

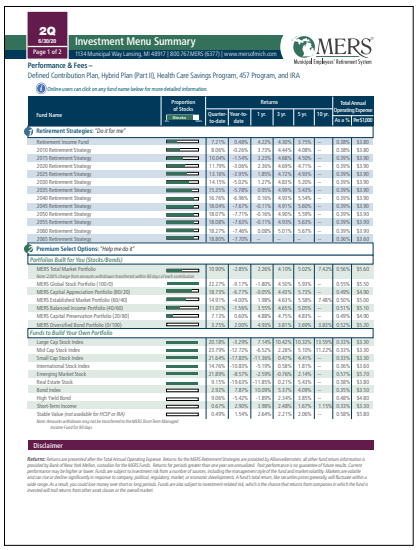
Average Costs of 0.40%
Balance = $180,841

Average Costs of 1.00%
Balance = $151,084

Average Costs of 1.50%
Balance = $130,061

The MERS weighted average fund cost is determined by the percentage of assets participants invest in each fund offered on the MERS Defined Contribution Plan, 457 Program and Health Care Savings Program Investment Menus. Investment Option fees are only one of many factors to consider when evaluating an investment.

! Please review our Investment Menu Summary sheet available on our website for a quarterly update on the Total Annual Operating Expense of each investment option.



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Investment Menu Summary

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MERS® Municipal Employees' Retirement System

Performance & Fees —
Defined Contribution Plan, Hybrid Plan (Part II), Health Care Savings Program, 457 Program, and IRA

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

Fund Name	Proportion of Stocks (Bonds)	Returns: Quarter-to-date	Year-to-date	1 yr.	3 yr.	5 yr.	10 yr.	Total Annual Operating Expense As a %	As $ (1,000)
Retirement Strategies: *"Do it for me"*									
Retirement Income Fund	7.21%	0.48%	-4.22%	4.30%	3.76%	--	--	0.38%	$3.80
2030 Retirement Strategy	8.00%	-0.26%	-3.73%	4.44%	4.08%	--	--	0.38%	$3.80
2015 Retirement Strategy	10.94%	-1.54%	-3.23%	4.68%	4.50%	--	--	0.39%	$3.90
2020 Retirement Strategy	11.70%	-1.00%	-2.36%	4.69%	4.77%	--	--	0.39%	$3.90
2025 Retirement Strategy	13.16%	-3.95%	-1.85%	4.72%	4.92%	--	--	0.39%	$3.90
2030 Retirement Strategy	14.15%	-5.02%	-1.27%	4.83%	5.20%	--	--	0.39%	$3.90
2035 Retirement Strategy	15.35%	-5.79%	-0.95%	4.99%	5.45%	--	--	0.39%	$3.90
2040 Retirement Strategy	16.76%	-6.96%	-0.16%	4.93%	5.54%	--	--	0.39%	$3.90
2045 Retirement Strategy	18.04%	-7.82%	-0.11%	4.91%	5.56%	--	--	0.39%	$3.90
2050 Retirement Strategy	18.07%	-7.71%	-0.16%	4.90%	5.58%	--	--	0.39%	$3.90
2055 Retirement Strategy	18.08%	-7.82%	-0.17%	4.93%	5.63%	--	--	0.39%	$3.90
2060 Retirement Strategy	18.27%	-7.46%	0.08%	5.01%	5.67%	--	--	0.39%	$3.90
2065 Retirement Strategy	18.80%	-7.70%	--	--	--	--	--	0.36%	$3.60
Premium Select Options: *"Help me do it"*									
Portfolios Built for You (Stocks/Bonds)									
MERS Total Market Portfolio	10.90%	-2.85%	-2.26%	4.10%	5.02%	7.42%	0.56%	$5.60
Note: 2.00% charge-from-account-withdrawal transferred within 90 days of initial contribution									
MERS Global Stock Portfolio (100/0)	22.27%	-9.17%	-1.80%	4.92%	5.95%	--	0.55%	$5.50
MERS Capital Appreciation Portfolio (80/20)	18.23%	-8.77%	-0.03%	4.43%	5.73%	--	0.49%	$4.90
MERS Established Market Portfolio (60/40)	14.91%	-4.00%	1.98%	4.61%	5.58%	7.48%	0.50%	$5.00
MERS Balanced Income Portfolio (40/60)	11.61%	-1.56%	-3.95%	4.65%	5.05%	--	0.51%	$5.10
MERS Capital Preservation Portfolio (20/80)	7.13%	0.60%	-4.88%	4.75%	5.07%	--	0.40%	$4.00
MERS Diversified Bond Portfolio (0/100)	3.73%	2.00%	-4.93%	3.81%	3.69%	3.83%	0.52%	$5.20
Funds to Build Your Own Portfolio									
Large Cap Stock Index	20.18%	-3.29%	-3.14%	10.42%	10.32%	13.99%	0.31%	$3.30
Mid Cap Stock Index	23.79%	-12.72%	-6.52%	2.28%	5.10%	11.22%	0.33%	$3.30
Small Cap Stock Index	21.64%	-17.83%	-11.36%	0.47%	6.41%	--	0.33%	$3.30
International Stock Index	14.76%	-10.83%	-5.19%	0.58%	1.87%	--	0.36%	$3.60
Emerging Market Stock	21.80%	-8.57%	-2.59%	-0.76%	2.14%	--	0.51%	$5.20
Real Estate Stock	9.15%	-19.63%	-11.85%	0.21%	5.43%	--	0.38%	$3.80
Bond Index	3.93%	7.82%	10.28%	5.33%	4.00%	--	0.35%	$3.50
High Yield Bond	9.06%	-5.42%	-1.85%	2.34%	3.05%	--	0.48%	$4.80
Short-Term Income	0.67%	2.90%	3.98%	2.48%	1.67%	1.15%	0.33%	$3.30
Stable Value (not available for HCSP or IRA)	0.49%	1.54%	2.64%	2.21%	2.06%	--	0.58%	$5.80

Note: Amounts withdrawn may not be transferred to the MERS Short-Term Managed Income Fund for 90 days

Disclaimer

Returns: *Returns are presented after the Total Annual Operating Expense. Returns for the MERS Retirement Strategies, are provided by Allianceberndstein; all other fund return information is provided by Bank of New York Mellon, custodian for the MERS Funds. 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 causes, 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 development. 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 long periods. Funds are also subject to investment-related risk, which is the chance that returns from companies in which the fund is invested will trail returns from other asset classes or the overall market.*

CHANGING YOUR INVESTMENT SELECTIONS

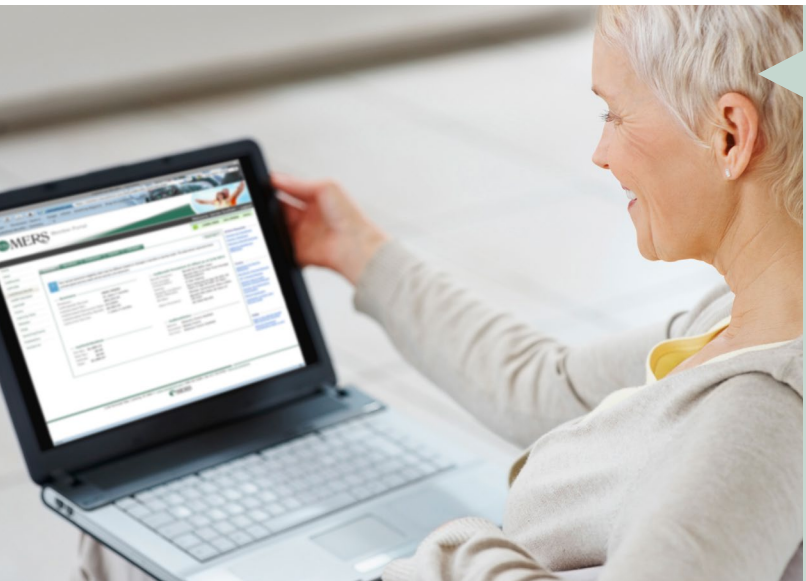
Ready to select or change your funds in your invested MERS account? We've made it easy to access or make changes to your account online any time through your secure myMERS portal.

Make Changes through myMERS

1. Log in to your myMERS account from the MERS homepage at *www.mersofmich.com.*
2. Choose "MERS of Michigan Defined Contribution, HCSP, 457 or IRA" from the dropdown.
3. Click on "Change my Investments."
4. Select the type of change you want to make. This is where you can choose to change the investment funds your future contributions will be invested in, change the investment funds your current balance is invested in, or both. You can also choose to transfer specific amounts from fund to fund.
5. Make your selection by choosing the percentage you would like to allocate to each fund (they must equal 100% when you are all done) and follow the prompts to verify and submit your changes.

Need help?

Call our Service Center at 800.767.6377.



Maintaining Your Investment Election

When you make your investment choices online, you will also have the opportunity to schedule automatic account realignment (rebalancing). Rebalancing is the process of restoring your portfolio to its intended allocation. Keep in mind that if you are 100% invested in a single Retirement Strategy or a portfolio that is built for you by MERS, this step is unnecessary, since these options automatically rebalance.

GLOSSARY OF KEY TERMS

Asset Allocation – An investment strategy that aims to balance risk and reward by dividing a portfolio's assets according to an individual's goals, risk tolerance and investment horizon.

Asset Class – A specific category of securities or investments, such as stocks, bonds, cash, international securities, and real estate. Assets within the same class generally exhibit similar characteristics, behave similarly in the marketplace, and are subject to the same laws and regulations.

Bond – A debt instrument in which an investor loans money to corporations, federal and state governments, and municipalities to raise capital. The bond issuer promises to pay the holder of the bond the principal amount of the loan when the bond matures and a fixed rate of interest periodically during the term of the bond.

Diversification – The practice of investing among several categories of investments (including different industries, countries, or investment vehicles) to enhance return and reduce risk.

Emerging Market – Investment in securities of developing countries. For the most part, these countries are often considered to be in Eastern Europe, Africa, the Middle East, Latin America, the Far East, and Asia, where 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 international investments.

Frontier Stocks – Investment in securities of countries considered to have less advanced capital markets than the developing world. Frontier markets are countries with investable stock markets that are less established than those in the emerging markets, and are alternatively referred to "pre-emerging markets."

Global Bonds – Bonds that can be offered within the Euro market and several other markets simultaneously.

Global Stocks – Investment in stocks of companies located anywhere in the world, including the U.S. This style of investing can provide more global opportunities for diversification and act as a hedge against inflation and currency when compared to owning solely U.S. investments.

Growth Stock – Stock of a corporation with a record of faster-than-average sales and earnings. Growth stock typically appeals to investors who seek a long-term increase in value.

High Yield Bond – A high-paying bond with a lower credit rating than investment-grade corporate bonds, Treasury bonds, and municipal bonds. Because of the higher risk of default, these bonds pay a higher yield than investment grade bonds.

Index Fund – A fund managed with the objective of duplicating the performance of securities in a broad-based index by investing in all or most of the securities included in that index.

Inflation – This is the rate at which the general level of prices for goods and services is rising, and subsequently, purchasing power is falling.

Intermediate Bond – A type of fixed income security that comes due for payment (mature) in usually 3 to 10 years from the date they were issued. Intermediate-term bonds are also called medium-term bonds.

International Stock Fund – A mutual fund that can invest in companies located anywhere outside of its investors' country of residence.

Large Cap – Companies having a market capitalization between $10 billion and $200 billion.

Market Volatility – The amount of uncertainty or risk about the size of change in a security's value. A higher volatility means that the price of a security can change dramatically over a short time period in either direction.

MERS – The Municipal Employees' Retirement System (MERS) is an independent, nonprofit retirement services organization that serves municipal members across the state of Michigan.

MERS proudly serves more than 800 municipalities and more than 100,000 participants while managing more than $9 billion in assets.

Mid Cap – Short for "Middle Cap," mid cap refers to stocks with a market capitalization of between $2 billion to $10 billion.

Mutual Fund – An investment vehicle that is made up of a pool of funds collected from many investors for the purpose of investing in securities such as stocks, bonds, money market instruments, and similar assets.

Passive Management – An investing strategy that mirrors a market index and does not attempt to beat the market. Also known as "passive strategy" or "passive investing."

Private Equity – When equity capital is made available to companies or investors, but not quoted on a stock market. The funds raised through private equity can be used to develop new products and technologies, to expand working capital, to make acquisitions, or to strengthen a company's balance sheet. Private equity generally pays a higher return to compensate for the higher level of risk taken on.

Real Estate Stocks – A security that sells like a stock on the major exchanges and invests in real estate directly, either through properties or mortgages.

Return – The gain or loss for a security in a particular period, consisting of income plus capital gains relative to investment. It is usually quoted as a percentage.

Risk – The chance that an investment's actual return will be different than expected. This includes the possibility of losing some or all of the original investment. It is usually measured by calculating the standard deviation of the historical returns or average returns for a specific investment.

Risk Tolerance – The degree of uncertainty that an investor can handle in regard to a negative change in the value of his or her portfolio.

An investor's risk tolerance varies according to age, income requirements, financial goals, etc. For example, a 70-year-old retired widow will generally have a lower risk tolerance than a single 30-year-old executive, who generally has a longer time frame to make up for any losses she may incur on her portfolio.

Short-Term Bond – A type of bond fund that invests only in fixed-income instruments with short-term maturities.

Small Cap – Refers to stocks with a relatively small market capitalization. The definition of small cap can vary among brokerages, but generally it is a company with a market capitalization of between $300 million to $2 billion.

Stable Value Fund – An investment vehicle found in both company retirement plans and, quite recently, IRA accounts. Stable value funds are comprised of mostly 'synthetic guaranteed investment contract (GICs'), also known as wrapped bonds, because of their inherent stability. These bonds can be short or intermediate term with longer maturities than other choices such as money market funds. They are paired (or wrapped) with insurance contracts to guarantee a specific minimum return.

Standard Deviation – A statistical measurement that sheds light on historical volatility. For example, a volatile stock will have a high standard deviation while the deviation of a stable blue chip stock will be lower. A large dispersion tells us how much the return on the fund is deviating from the expected normal returns.

Standard and Poor's 500 Index (S&P 500) – An index of 500 stocks chosen for market size, liquidity and industry grouping, among other factors. The S&P 500 is designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe.

Target Date Fund – A mutual fund in the hybrid category that automatically resets the asset mix (stocks, bonds, cash equivalents) in its portfolio according to a selected time frame that is appropriate for a particular investor. A target date fund is similar to a life-cycle fund except that a target date fund is structured to address some date in the future, such as retirement.

Tax Considerations – One should consider income taxes (federal, state, and local) as part of the cost of any investment. Consult an accountant or financial advisor on how to maximize invested capital to help meet financial and personal retirement goals.

Value Stock – A stock that is considered undervalued by the market. Value stocks are characterized by low price/book ratios or price/earnings ratios.

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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