

Understanding the MERS Investment Menu

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BUILDING
RETIREMENT
SUCCESS
TOGETHER

Objectives

- Benefits of Investing
- Common Challenges
- Understanding the MERS Investment Menu
 - Building Your Portfolio
 - Staying on Track

Why Do We Invest?

- Simply put, a dollar today has a different value than a dollar received in the future
- Through the process of making wise investment choice, the money you set aside today can accumulate for future goals such as retirement

What is an Asset Class?

- An asset class is a specific type of investment

Cash

Bonds

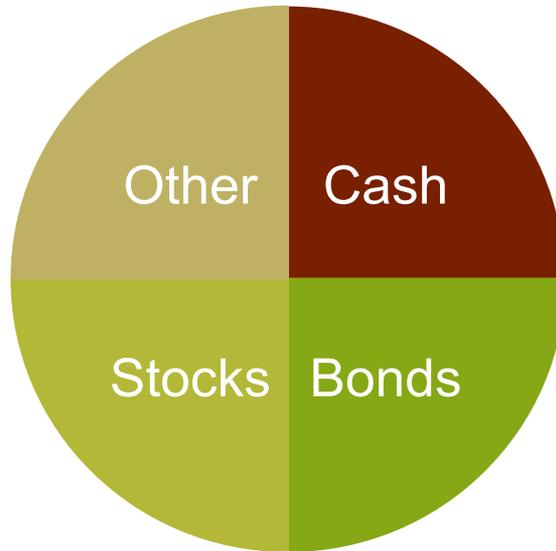
Stocks

Other

- Assets within the same class generally:
 - Exhibit similar characteristics
 - Behave similarly in the marketplace
 - Are subject to the same laws and regulations

Diversification

Diversification is spreading your investments within investment types



Why Diversify?

Diversification ensures your portfolio isn't dependant on just one fund or asset class



Common Issues with Investing

- Large and confusing investment menus
 - Duplication of asset classifications
 - Under performing funds offered to participants
 - High investment manager costs
- Ineffective educational programs that only reach a minimal number of participants
 - 52% of Americans in their 30s are saying “just tell me what to do”
 - 80% of participants are not engaged or involved in retirement planning
- Unsustainable retirement account balances
 - 59% of all workers feel as though they are behind schedule in saving towards retirement
 - 46% of participants never change their asset allocation

Source: National Association of Government
Defined Contribution Administrators (NAGDCA)

MERS Investment Menu

- MERS sought to improve participant outcomes by developing a strategic and streamlined investment menu
- The MERS Investment Menu has a concentrated list of options to provide quality over quantity, following industry best practices
 - Options are grouped into four logical “sleeves” that participants can identify with, which assists in simplified decision making

MERS Retirement Strategies

- Default fund for the MERS Defined Contribution Plan, Hybrid Plan Part II, and 457 Supplemental Retirement Program
- Nearly half of participants are in the MERS Retirement Strategies funds (47.6%)

Benefits of MERS Investment Menu

- MERS is the fiduciary, meaning we have an obligation to place the participant's interest first in making any decisions about the plan
- The MERS Retirement Board and the MERS Office of Investments:
 - Actively monitor and select the fund lineup and investment managers
 - Ensures quality investment options are offered
 - Negotiates fees that individuals would not be able to negotiate on their own



**Finding the
Investment
Choice that
Works For You**

Getting To Know the MERS Investment Menu

1 Retirement Strategies

For those who want a simplified way to invest

2 Diversified Portfolios

For those who want a fully diversified portfolio they are in charge of changing

3 Expanded Funds

For the investor who knows their goals, risk tolerance, and time horizon and wants to build or add to their current portfolio

4 Self-Directed Brokerage Window

For the experienced investor who wants access to even more options

MERS participants choose which category feels comfortable to them

I want a long-term solution to save for retirement, however, I am not a savvy investor.





Retirement Strategies

Target Date Funds

For those who want a simplified way to invest

- Complete diversified investment fund
- Assets change from aggressive to conservative as participant approaches selected retirement age and through retirement
- Default investment selection, based on projected retirement age 60

How the Glide Path Works



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

What if I like a professionally managed fund, but I don't want it to automatically change over time?





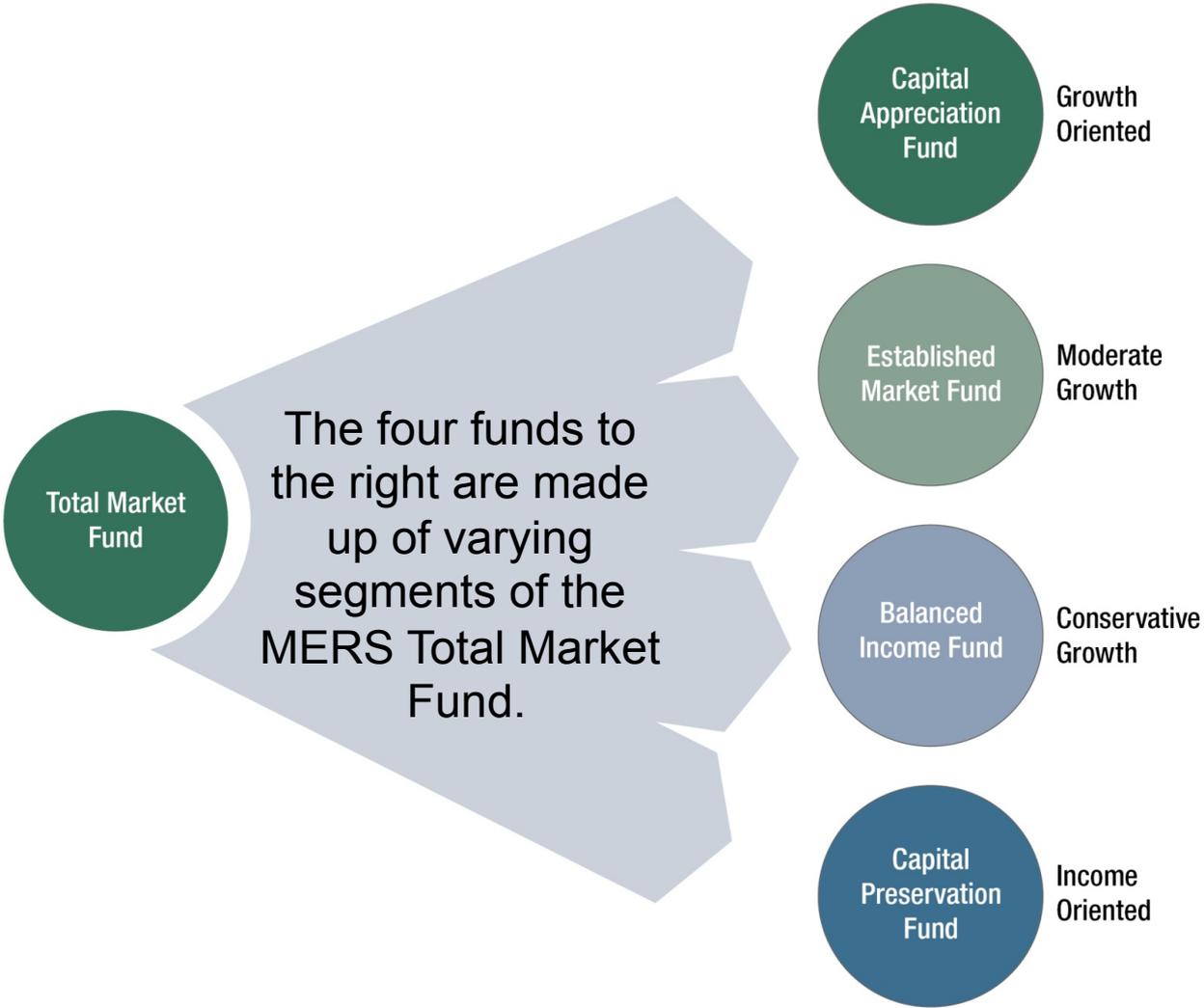
Diversified Portfolios

MERS-managed portfolios

For those who want a fully diversified, professionally managed portfolio they are in charge of changing

- Professionally managed by MERS
- Customized to participant's risk preferences
- Each have target allocation mix rebalanced (or readjusted) quarterly

How Diversified Portfolios Work



Do you want to fine-tune your portfolio?



Rebalancing Your Portfolio

- It's important to note, that with sleeves two and three you are in charge of rebalancing your portfolio
- Rebalancing is the process of restoring your portfolio to its original mix
- Due to market forces, your portfolio changes over time
 - Those investments that have done well will naturally begin to take up more of your portfolio; those that haven't done as well will take up less of your portfolio
- Rebalancing helps you get the full rewards of diversification

3

Expanded Funds

Building and fine-tuning your own portfolio

For the investor who knows their goals, risk tolerance and time horizon and wants to build or add to their current portfolio

- Gives experienced investors a variety of funds to select from
- Can be a great addition to the other categories and help to further diversify investment portfolio and fine-tune strategy
- MERS actively monitors the selection of funds to ensure quality

How to Rebalance Your Portfolio

Step 1: Review your targeted portfolio mix

Retake the Investment Profile Quiz to see if your profile has changed



Step 2: Compare your target mix to your current mix

Review your portfolio online through myMERS Member Portal



Step 3: Readjust

You can change your portfolio online to match your targeted mix

Want access to more choices?



4

Self-Directed Brokerage Window

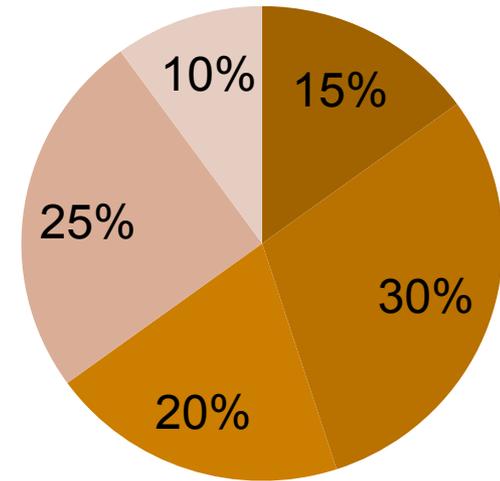
More choices for experienced investors

For the experienced investor who wants access to even more options

- Gives access to over 1,000 additional investments:
 - Individual securities
 - Mutual funds in a variety of share classes
- Available through Charles Schwab
- Certain restrictions apply

Aggressive Profile (1)

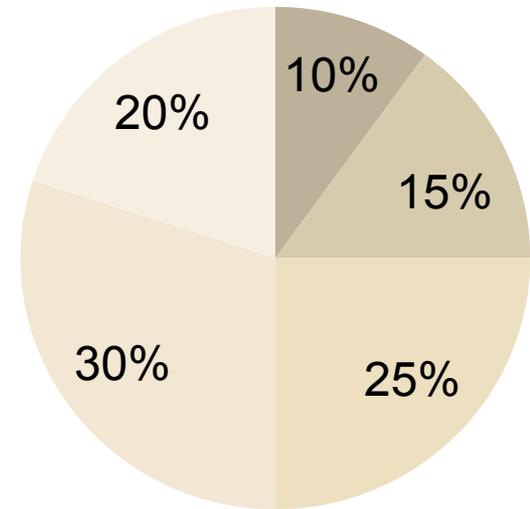
- This asset allocation should provide high growth of invested capital with minimal income
- You have a very high tolerance for risk and a long time horizon
- You may experience substantial fluctuations in your account value from year to year



- Small - Cap Stocks
- International Stocks
- Mid-Cap Stocks
- Large-Cap Stocks
- Bonds

Moderately Aggressive (2)

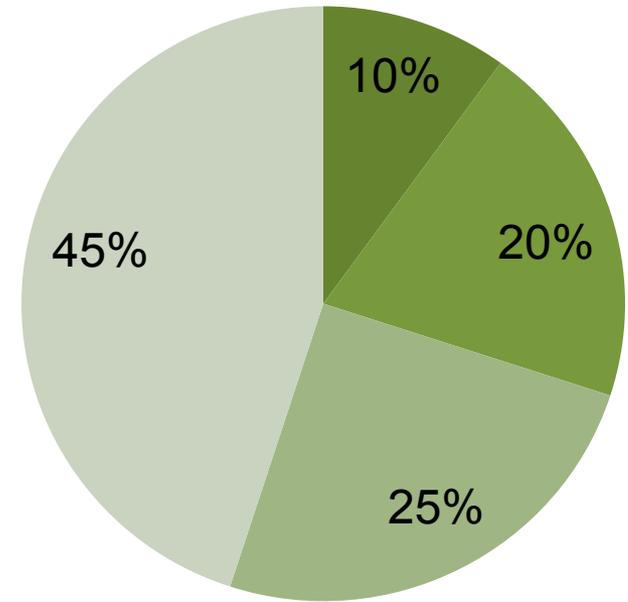
- This allocation will provide little income but seeks above average asset growth
- You have a relatively high tolerance for risk and a long time horizon
- Your main goal is capital appreciation and you are comfortable with moderate fluctuations in the value of your account



- Small - Cap Stocks
- International Stocks
- Mid-Cap Stocks
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Moderate (3)

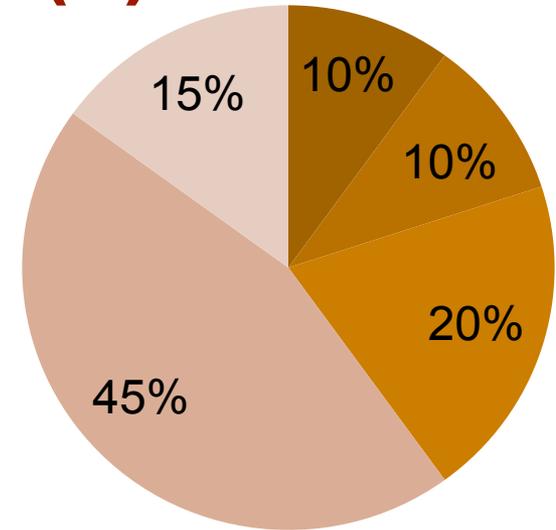
- This allocation should provide stable growth of invested capital with a lower level of income
- You have a moderate tolerance for risk and may have a moderate time horizon
- You are comfortable with fluctuations in the value of your account from year to year



- International Stocks
- Mid-Cap Stocks
- Large-Cap Stocks
- Bonds

Moderately Conservative (4)

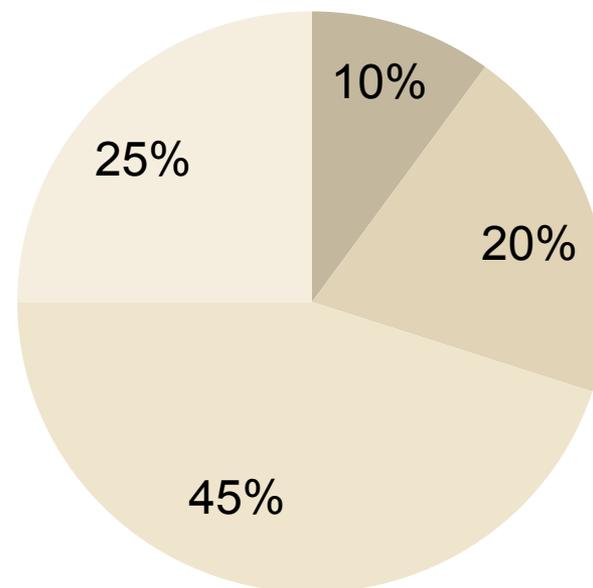
- This asset allocation may provide modest capital appreciation and income
- You have a relatively conservative risk profile with a shorter time horizon
- Your desire is to achieve steady asset growth and preserve invested capital, while limiting fluctuations of your account value to less than that of an all stock allocation



- International Stocks
- Mid-Cap Stocks
- Large-Cap Stocks
- Bonds
- Short-Term Bond / Stable Value

Conservative (5)

- This asset allocation may appeal to the cautious investor
- You have a low risk profile and a short time horizon
- You prefer investment stability and liquidity with a strong desire to preserve invested capital
- You may desire income and prefer minimal fluctuations in portfolio value



- Mid-Cap Stocks
- Large-Cap Stocks
- Bonds
- Short-Term Bond / Stable Value

Which Investment Path is Right for You?

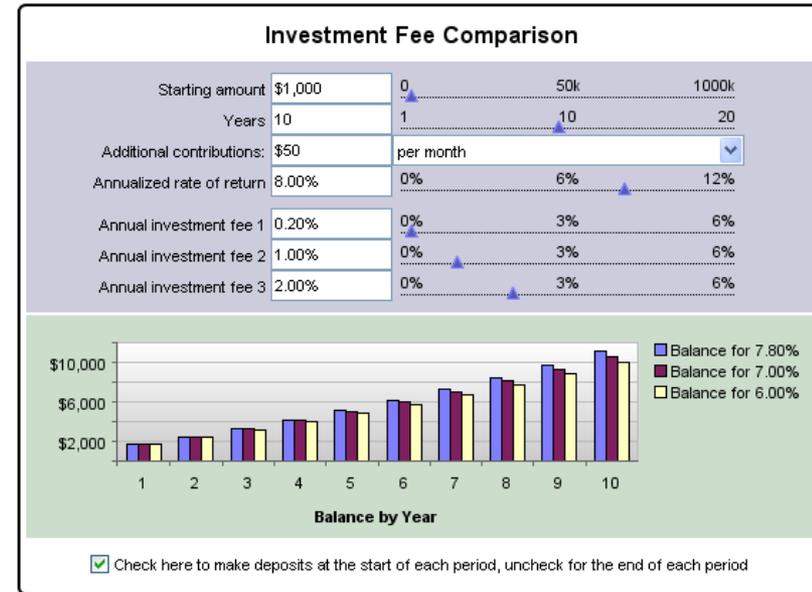
- Because no two people are alike, it is safe to assume that no two financial situations are alike
- Everyone handles finances differently, even if they are the same age, have the same job, make the same money, and have the same number of children
- Investing is inherently personal and you should consider all of your life circumstances when making investment decisions

Understanding How to Pick Your Mix

- The next step is to select investment choices to build an investment mix that matches your profile
- As you decide what type of investor you are, take into consideration:
 - Time horizon
 - Inflation
 - Volatility
 - Taxes
 - Special circumstances in your decision-making process
 - Other investments you may already have like an IRA, Certificates of Deposit, inheritance, etc.

Evaluating Fund Fees

- Fees vary from fund to fund, so it is important to be aware of the differences
- Fees you pay can have a significant effect on the return you achieve over time
- Review a fund's prospectus or fund sheet to ensure you are evaluating the total amount of fees
- MERS offers an online calculator to assist you in comparing fees



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MERS Investment Resources

- MERS provides helpful resources to help select funds
- Participants choose the investment category that best suites their needs
- Participants can take the investor profile quiz to learn more about their investing style

Understanding the MERS Investment Menu
For participants in the

The MERS Investment Menu
When it comes to investing, the first step to meeting your goals is finding an investment strategy that best suits you. The MERS Investment Menu is comprised of four investment categories designed with a shareholder approach to choosing investments. Take this short quiz to find the category that works best for your needs.

Get started
Choose one of the investment categories that feels the most comfortable to you:

- "I want a simplified way to invest. I would like an option that is both fully diversified and professionally managed, and that is designed to help me get closer to retirement."
- "I want a fully diversified, professionally managed strategy of changing over time."
- "I want to start with a fully diversified, professional and fine-tune my investments using MERS' top-performing funds."
- "I want to build my own portfolio using a variety of funds selected for me by MERS."
- "I want to build my own portfolio using funds."
- "I want to take a more active role in my investments."

Investor Profile Quiz
This online quiz helps build information when building or fine-tuning your retirement portfolio, and can help you understand what kind of investment strategy best suits you.

How comfortable are you with various "levels" of risk? The following quiz is by no means a final evaluation of your risk tolerance. However, it will help you think about some important considerations. It may also help determine whether you are a conservative, moderate, or an aggressive investor. You should consult your investment advisor to determine the strategies that are right for you.

Investor Profile Quiz

Investor Profile Quiz	Aggressive	Moderate	Conservative	Very Conservative
1. I am willing to accept a greater degree of risk to gain the potential for higher returns.	1	2	3	4
2. I am willing to invest on a long-term basis.	1	2	3	4
3. If one of my investments dropped 50% in value over six months due to a stock market downturn, I would hold on to that investment, expecting to recover its value.	1	2	3	4
4. I have heard a lot of things about the MERS account that makes me feel better about my financial future.	1	2	3	4
Total Score: _____				

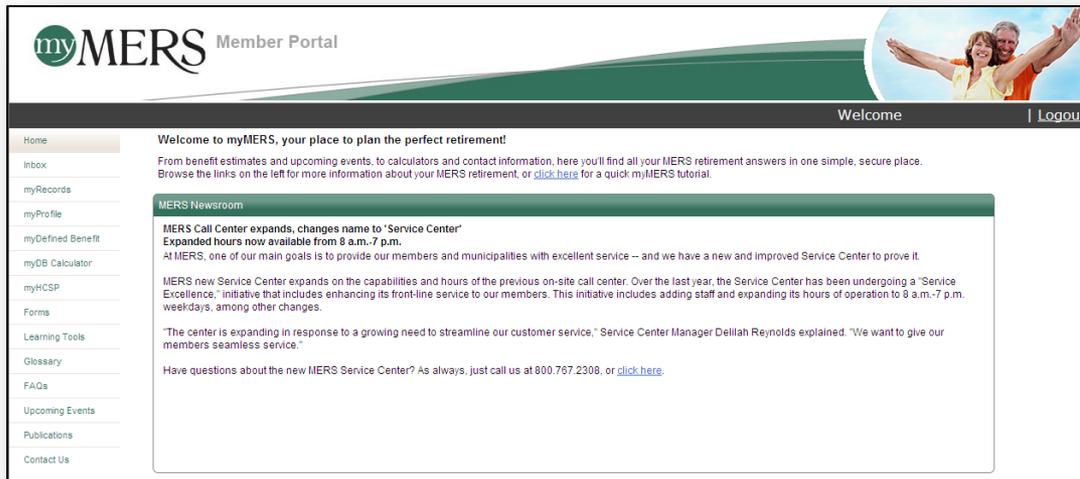
Use the results from your investor profile quiz and your time horizon to determine the investor profile which best suits your needs.

Years to Retirement	Total Score 0-20	Total Score 0-14	Total Score 0-8
20 or less	Aggressive Growth (A)	Moderate Growth (M)	Conservative Growth (C)
11-20	Moderate Growth (M)	Conservative Growth (C)	Income Oriented (I)
10 or less	Conservative Growth (C)	Income Oriented (I)	Income Oriented (I)

12 | MERS (Municipal Employee Retirement System of Michigan)

View Your Information

We encourage you to stay up-to-date with your MERS benefits by logging into *myMERS*



With *myMERS* you can

- View specific account information
- View beneficiary information
- Change investment selections
- Download current forms
- Access other useful tools and information

Please take time to fill in your survey

There are session surveys in the back of your book. Please take the time to fill in the survey to assist us in planning future events!



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