

# INVESTMENT COMMITTEE MEETING AGENDA

January 20, 2016 @ 3:00pm

## 1. Performance & Market Review (November)

November 30, 2015 Gross of Fees	1 Month	3 Month	Year to Date	1 Year	3Year
MERS Total Plan	0.14	2.11	0.66	0.07	7.69
Policy Benchmark *	-0.98	1.68	-1.32	-2.61	5.52
Excess	1.12	0.43	1.98	2.68	2.16

\**Policy Benchmark=MERS Total Plan Custom BM-Lagged. The MERS Policy Benchmark consists of a global blend of equities and bonds. Its components are 65% MSCI ACWI IMI (Global Equity) and 35% Barclays Global Aggregate (Global Fixed Income). The global benchmark went into effect 01/01/2014. Prior to that, the Policy Benchmark consisted of a custom benchmark composite that mirrored MERS' Asset Allocation.*

2. Portfolio Update
  - a. Asset Allocation and Risk
3. Governance and Compliance
4. New Investment Approvals
  - a. Verdant separate account (decision item)
  - b. Public Energy Midstream Investment (decision item)
5. Private Market Update
6. Other Business
  - a. Reporting changes

# INVESTMENT COMMITTEE MEETING MINUTES

January 20, 2016 @ 3:00pm

BOARD ATTENDEES	MERS ATTENDEES
Michael Brown	Jeb Burns
Michael Gilmore	Mike Charette
Jim Wiersma	Chris DeRose
	Claudia Konieczny
	Brian LaVictoire
	Ed Mikolay
	Julian Ramirez
	Mike Schrauben
	Lori Smith
	Paul Vangilder
	Peter Wujkowski

- Agreed that formal minutes from Investment Committee ("IC") meeting will be added to the agenda for approval at the following IC conference call or meeting.
1. **Portfolio Update:**
    - a. Formal Consultant:
      - i. A State Street Performance Reporting Consultant will come in to present the year in review to cover attribution, etc. for the March IC meeting and then also present at the board meeting the next day during the investment portion of the board meeting.
    - b. Julian went over the 2015 year end performance attribution document. It will be added to future IC reports.
    - c. Manager Probation was reviewed.
      - i. Janus is under review due to the departure of CIO Gibson who is leaving in April 2016. His replacement is a long-time Janus member, Daryl Waters. Mike Charette and Jeb Burns are visiting Janus in March.
    - d. Board members like the addition of the MERS portfolio performance attribution document.
    - e. Board members also like the monthly "snapshot" report.
      - i. The document is a little busy, clean up to simplify.
  2. **Governance and Compliance:**
    - a. The Office of Investment's staff has a meeting scheduled on 1.21.16 with State Street to discuss the State of Michigan Investment Act to ensure that all requirements and changes are included into the new compliance dashboard being developed by the compliance team at State Street.
    - b. MERS Internal Auditor has been reviewing investment, operations and compliance processes in investments as part of her audit schedule. These actions will ensure that MERS governance processes are current to market and regulatory requirements. Additionally, this will ensure that any deficiencies or "value added" suggestions are implemented early.
  3. **New Investment Approvals:**
    - **Public Energy Midstream Investment (\$100 million)** - Paul went through presentation.
      - a. Recommendation: Office of Investments recommends a \$100M (1%) allocation to energy midstream equities pending successful legal and tax due diligence:
        - i. **AI 1: Jim Wiersma asked for a motion to approve this proposal: Brown, Gilmore and Wiersma agreed to this recommendation.**

- ii. Historically pension funds have not been liable for any kind of tax due to their status as non-taxable entities UBTI caveat. Brian LaVictoire will research this issue and determine whether a specific investment vehicle is needed or if we fall under a clear exemption.
- b. **Verdantf Real Assets Fund Commitment (\$150M)** - Paul went through presentation.
  - i. Recommendation: Office of Investment recommends a \$150M commitment to Verdantf which is expected to provide Total Market Fund with important diversification benefits and expected returns equal to public equities.
  - ii. Lockheed persons did a presentation of a potential portfolio investment.
  - iii. This investment will be held under the Verdantf umbrella.
  - iv. **AI 2: Jim Wiersma asked for a motion to approve this proposal: Brown, Gilmore and Wiersma agreed to this recommendation.**

#### 4. Other:

A general discussion took place regarding reporting and IC governance. There was consensus that MERS Board members were satisfied with the new monthly investment report format. The IC supported the governance changes recommended by Mr. Burns and Mr. Wiersma. There was additional discussion regarding the research associated with the asset allocation. It was also agreed that the IC would recommend formally to the board that they adopt Investment Policy Statements and Asset Allocation recommendations.

### Investment Committee Vote Results

\* Observing Board Member

\*\*MERS CEO and CIO do not have formal voting status

Board & Voting Members	Action Item 1 ACP Investment	Action Item 2	Action Item 3	Action Item 4
Michael Brown	Yes	Yes	n/a	n/a
Jim Wiersma	Yes	Yes	n/a	n/a
Mike Gilmore	Yes	Yes	n/a	n/a
TBD*	n/a	n/a	n/a	n/a
Chris DeRose**	n/a	n/a	n/a	n/a
Jeb Burns**	n/a	n/a	n/a	n/a
<b>Vote Totals</b>	3 Yes	3 Yes	n/a	n/a

Adjourned: 5:10pm

## 2016 Investment Committee Schedule

Date & Time	Event	Meeting Location
January 20 @ 3:00 pm	Meeting	Home Office, Lansing
February 11 @ 3:00 pm	Conference Call	
March 16 @ 3:00 pm	Meeting	Home Office, Lansing
April 14 @ 3:00 pm	Conference Call	
May 18 @ 3:00 pm	Meeting	Home Office, Lansing
June 9 @ 3:00 pm	Conference Call	
July 19 @ 3:00 pm	Conference Call	
August 11 @ 3:00 pm	Conference Call	
September 27 @ 2:00 pm	Annual Meeting	Amway Grand, Vandenberg A, 2 <sup>nd</sup> Floor
October 13 @ 3:00 pm	Conference Call	
November 16 @ 3:00 pm	Meeting	Home Office, Lansing
December 8 @ 3:00 pm	Conference Call	