INVESTMENT COMMITTEE MEETING AGENDA

March 16, 2016 @ 3:00pm

1. **Approval of February 11, 2016 Investment Committee Conference Call Minutes**

2. **Performance & Market Review (February 29, 2016)**

February 29, 2016 Gross of Fees	1 Month	3 Month	Year to Date	1 Year	3 Year
MERS Total Plan	0.26	-3.83	-2.40	-5.02	4.92
Policy Benchmark *	0.44	-4.34	-3.35	-7.68	2.50
Excess	-0.18	0.50	0.95	2.66	2.42
MSCI ACWI IMI	-0.52	-8.49	-6.76	-12.26	3.74
Barclays Global Agg	2.23	3.66	3.11	0.84	-0.11

***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.*

3. **Portfolio Update**
   a. **2015 Portfolio Review – SSgA (presented by Peter Storment, VP-Performance Services)**
   b. **Manager Probation and Watch List**
      i. **Termination: Hellman Jordan (action item)**
      ii. **TCW**

4. **Governance and Compliance**

5. **New Investment Approvals**
   a. **Oak Hill Advisors Distressed Debt Strategy (action item)**
   b. **MERS Systematic Alpha Smallcap Index (SASI) (action item)**

6. **Private Market Update**

7. **Other Business**
   a. **Asset Allocation Update**
   b. **June 8, 2016 Investment Manager Roundtable**

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	Grand Traverse Resort
October 13 @ 3:00 pm	Conference Call	
November 16 @ 3:00 pm	Meeting	Home Office, Lansing
December 8 @ 3:00 pm	Conference Call	

INVESTMENT COMMITTEE MEETING MINUTES

March 16, 2016 @ 3:00pm

BOARD ATTENDEES	MERS ATTENDEES
Michael Brown	Jeb Burns
Michael Gilmore	Mike Charette
Jim Wiersma	Chris DeRose
	Ed Mikolay
	Julian Ramirez
	Mike Schrauben
	Lori Smith
	Paul Van Gilder
	Peter Wujkowski

1. **Approval of February 11, 2016 Investment Committee Conference Call Minutes**

   A motion was made and supported to approve the 2.11.16 Investment Committee minutes. Brown, Gilmore and Wiersma voted for the motion.

2. **Performance & Market Review (February 29, 2016)**

   Mr. Burns noted per Mr. Wiersma's suggestion that we have added to the performance matrix the two indexes which make-up MERS policy benchmark: MSCI ACWI IMI and Barclays Global Agg.

3. **Portfolio Update**
   a. **2015 Portfolio Review – SSgA (presented by Peter Storment, VP-Performance Services)**

   Peter Storment has been with State Street for 20 years, his presentation was to provide an independent analysis of investment performance and attribution. Going forward Mr. Storment will be presenting to the Investment Committee and Board on a annual basis. In addition, he will provide a portfolio review for the Board at the July retreat.

   b. **Manager Probation and Watch List**
      i. **Termination: Hellman Jordan (action item)**

      Hellman Jordan was hired in 2010 as part of MERS emerging manager program. They were promoted in February 2013 upon terminating Wellington Large Cap Growth and given an allocation of approximately $250 million. In December 2015 Hellman Jordan was placed on probation and in January 2016 had a probation review meeting. After a review of performance and the firm's investment process the Office of Investment has recommended termination.

      A motion was made and supported to terminate Hellman Jordan. Brown, Gilmore and Wiersma voted for the motion.

      ii. **TCW**
      TCW is officially on watch and will continue to be monitored closely.
      AI: Considering evaluating the strategy allocation as part of the asset allocation study.

4. Governance and Compliance

Mr. Storment is also working with Mr. Brian LaVictoire to review the Investment Act to make sure we are in compliance and that State Street's monitoring system correctly tracks the Acts requirements. The Investment team is working with the finance department and internal auditors to move items that are better suited with finance/auditing to streamline processes. Next week Mr. Burns is traveling with persons from MERS (legal counsel, an auditor and a finance person) to Boston to meet with State Street to conduct annual due diligence with a focus on audit, finance and legal issues.

5. New Investment Approvals

c. Oak Hill Advisors Distressed Debt Strategy (action item)

Investment team is recommending making up to $150 million commitment to Oak Hill's SCF II. Staff anticipates that the fund will be able to general low to mid-teens rates of return. Oak Hill's philosophy and senior leadership is very good and they have a strong track record. Every key decision maker is still at Oak Hill which gives comfort that they can manage a larger fund.

A motion was made and supported to approve the recommendation to make up to $150 million commitment to Oak Hill's SCF II. Brown, Gilmore and Wiersma voted for the motion.

d. MERS Systematic Alpha Smallcap Index (SASI) (action item)

Investment team is recommending investing $25 million with MERS SASI, with funds coming from MERS S&P 600 index. MERS-SASI fee savings: $2.4 million and could bring it up to $3.2 million with the MERS SASI addition. Upon implementation there will be a quarterly review at the PRC meeting and an annual review with the Investment Committee.

A motion was made and supported to approve the recommendation to invest $25 million with MERS SASI. Brown, Gilmore and Wiersma voted for the motion.

6. Private Market Update

Mr. Mikolay provided an update on the private equity secondary sale and expects to sell three separate portfolios and will continue to look for opportunistic sales of remaining legacy assets. Real estate is performing well, taking risk off the table.

Also discussed formalizing approval to expend formation costs for co-investment and fund formation costs. Investment team wants board members to weigh in on the dollar limit, keeping in mind legal costs and consulting fees that come with it. Mr. Mikolay was thinking of $1 million or $1.5 million may be an appropriate amount for staff discussion.

AI: Develop new language in the Investment Policy Statement to address potential partners to put up money for the due diligence costs. The language will be reviewed at a future IC meeting and, if approved, placed into the IPS for full board approval.

7. Other Business

e. Asset Allocation Update

Investment team is continuing to work on Project Thunderdome and will report back to the Investment Committee any new information and will share documents are they are developed.

f. June 8, 2016 Investment Manager Roundtable

2016 Investment Manager Roundtable is the evening of June 7th for dinner at the HopCat and the following day June 8th for the meeting from 8:00am-3:00pm at the University Club. We are inviting GaveKal Research and BCA Research. More details to come.

AI: Mr. Burns will circle back with the Board members on the State Street presentation to discuss any improvements or changes that need to be made.

Meeting adjourned at 5:23pm.