REPORT SUMMARY

Bottom Line: The Total Market Fund returned -1.35% for the month and -2.76% YTD, modestly outperforming the policy benchmark. The portfolio continues to perform as designed, providing downside protection and capturing most of the upside. ***The following manager/ strategy searches and research projects are ongoing: currency, international microcap, Asian equities, and real assets.***

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Market volatility continued through September as global markets continued the August sell-off following a brief rally. Global markets rallied in early September following August's sharp sell-off on the back of oversold conditions and the hope that the US Fed would restore confidence to global markets. After the Fed refrained from raising interest rates and elected to keep short term rates at 0%, global markets resumed the correction that began in August. The Fed expressed concern about whether growth and inflation trends were sustained enough to warrant an interest rate increase. This compounded geopolitical uncertainty in the market and most markets closed September at or near the lows that they had set in late August. From its May 2015 all-time high to the September low, the S&P 500 declined by more than -12%. However, the US outperformed most markets as international developed stocks returned -14.2% and emerging market stocks returned -22% over the same timeframe. New jobs added to the US economy once again disappointed economists' expectations with just 142,000 jobs added in September. The headline unemployment rate remained at a multi-year low of 5.1%. Overall, the US services sector remains somewhat strong but the manufacturing sector remains weak as a result of a strong US dollar and slow growth abroad. This mixed economic data caused the Fed to refrain from hiking interest rates in September. As a result of Fed policy and global growth uncertainty, all asset classes are expected to remain volatile throughout the year. China's expected slow-down will most likely continue through 2015, increasing volatility in global markets. Fears of China's slowing growth and a large debt overhang will likely continue to plague developing market assets over the short term.

"Leadership and learning are indispensable to each other."

— John F. Kennedy

The Total Market Fund returned -1.35% for the month, outperforming its policy benchmark (65% MSCI ACWI IMI/ 35% Barclays Global Aggregate) by 85bps. MERS Global Equity returned -2.5% on the month as the sub-asset classes experienced across the board declines, albeit lower in magnitude than in August. Core equity outperformed on the month, returning -2.76%. Small cap and micro-cap stocks lagged large caps, returning -4.1% and -5.1% respectively. The sell-off in developing equities abated somewhat as the portfolio returned -2.7% for September. Core fixed income returned 0.53% in September, providing downside protection as investors sought the safety of bonds. Emerging market debt detracted from the global fixed income portfolio with a return of -1.8%. This drove the total global fixed income portfolio to return 0.12% on the month. Diversifying strategies returned 1% on the month as most of the underlying strategies produced positive returns. Real assets returned 0.04% on the month as returns across the sub-asset classes were muted. MERS total plan assets* are $8.63 billion and total MERS assets are $8.98 billion. Asset class allocations are within target bands and adequate liquidity is available.

**Total Plan Assets (TPA) – includes the MERS Defined Benefit portfolio, assets in the RHFV, HCSP, ISP, 457, and DC assets invested in the MERS Total Market Fund or one of its portfolios. Total MERS Assets includes all TPA plus DC assets invested in outside mutual funds.*

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MERS Portfolio Characteristics

- Positioned to outperform in down markets
- May lag in periods of extended bull markets
- Provided superior risk-adjusted returns
- Hedge against inflation
- Maintain adequate liquidity
- Minimize costs
- Exceed actuarial investment assumption on a long-term basis

Positive Contributors (Absolute)	YTD
Private Equity	**0.45%**
Triple Net Real Estate	0.43%
Core Fixed Income	0.10%

Negative Contributors (Absolute)	YTD
Core Equity	**-1.76%**
Developing World	-1.24%
Global Growth Equity	-0.93%

Positive Contributors (Relative)	YTD
Private Equity	**1.00%**
Core Equity	0.45%
Triple Net Real Estate	0.40%

Negative Contributors (Relative)	YTD
Developing World	**-0.41%**
Global Growth Equity	-0.14%
Microcap Equity	-0.14%

Note: A proprietary calculation methodology was used to estimate the contribution of each sub-asset class to the total portfolio's active return.

Investment Trends

The world can change at a moment's notice, but markets tend to run in cycles lasting a year or in some cases several years. Because of this it is important to track the economic and political trends nationally, as well as globally. Knowing the trends and understanding the possible investment solutions allow for strategic investing with little opportunity wasted.

Long-term Trends

- Global growth
- Demographics – aging populations/global population growth
- Emerging market middle class expansion
- Environmental concerns and competition for natural resources

Investment Solutions

- Expanded mandates – under review
- Global investing
- Opportunistic investing
- Disciplined portfolio management--dynamic rebalancing
- Long equities
- Real assets & inflation hedging – priority
- Strategic increases in emerging & frontier market investments

Medium-term Trends

- Government fiscal policy intervention - decreasing
- Political instability & high volatility - increasing
- Banking sector regulatory change implementation
- Lack of credit financing
- Developed country financial sector deleveraging
- Low interest rates
- Currency volatility - increasing

Investment Solutions

- Opportunistic investing
- Cash levels slightly elevated
- Fixed income substitutes
- Credit underweight & positioning for inflation
- Real asset investments
- Neutral to slightly underweight equities
- Active currency management

Economic risks

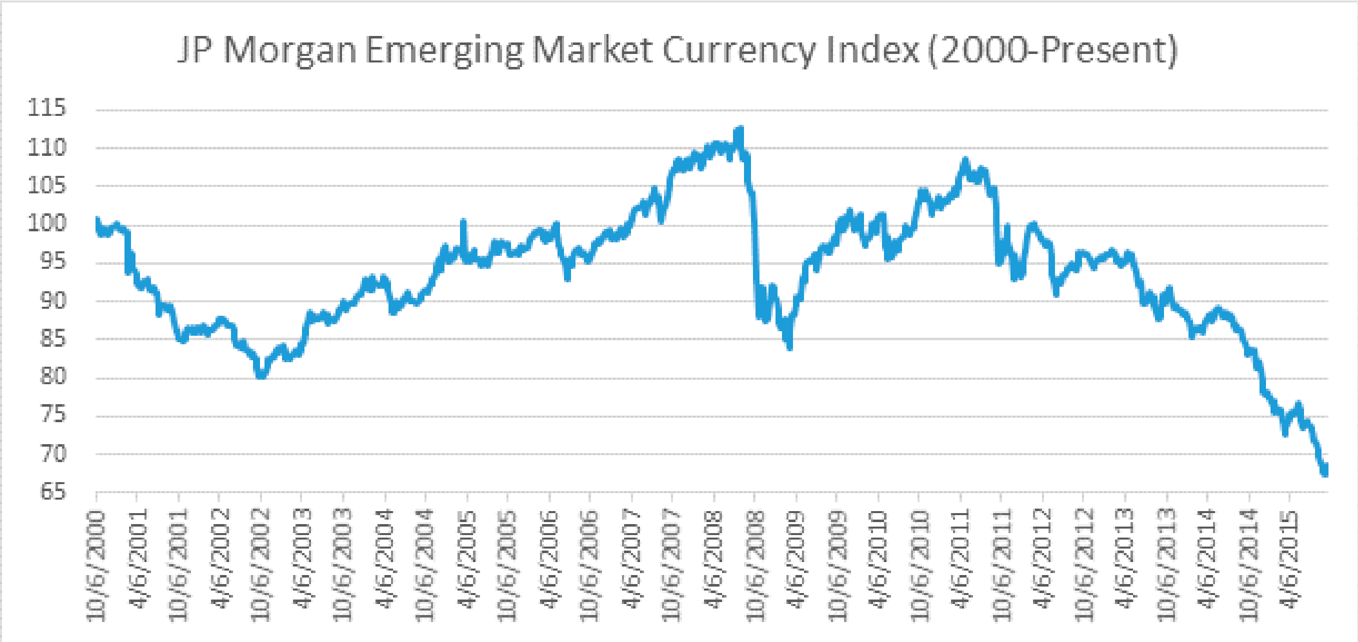
- Monetary policy mistakes - decreasing
- Developed world debt levels - neutral
- U.S. fiscal policy dysfunction - decreasing
- Demographics – aging population
- Social and political instability - increasing
- Global fiscal stress – structural realignments
- China hard landing – neutral

CIO REPORT

Liquidity Overview	Market Value	% of Total Fund
Immediate	$491,596,512	5.70%
0 -30 Days	$4,627,708,440	53.61%
30 – 60 Days	$343,297,807	3.98%
60 – 90 Days	$936,208,266	10.85%
90 + Days	$2,232,924,056	25.87%
Total Fund	**$8,631,735,081**	**100.00%**

Investment Programs AUM	Market Value
Defined Benefit	$7.69 billion
RHFV	$600.77 million
HCSP	$102.57 million ($98.11 million in MERS Options)
ISP	$63.47 million
MERS 457	$26.76 million ($8.90 million in MERS Options)
457	$3.97 million
DC	$478.49 million ($160.07 million in MERS Options)
Total MERS Assets	**$8.98 billion**

Assets shown are a snap shot at time of reporting. Due to the timing differences in final performance reporting between the Defined Benefit portfolio and the NAV of the other MERS products, final AUM results may vary.



The JP Morgan Emerging Market Currency index, an index that tracks currency movements in emerging countries such as Brazil, Russia, and India, reached its lowest level on record in September after a 40% decline since 2011.