



THE SELF-DIRECTED BROKERAGE ACCOUNT

The MERS Investment Menu is simplified into three categories to help you find the investment mix that best meets your investment style. Participants in the MERS Defined Contribution Plan, Hybrid Plan and 457 Supplemental Retirement Program have access to the Self-Directed Brokerage Account (SDBA).

About the SDBA

The SDBA gives you access to funds outside of the MERS investment menu, including individual stocks, bonds, CDs, over 100 commission free ETFs (Exchange Traded Funds), and more than 13,000 mutual funds — including more than 2,500 No-Load, No-Transaction Fee Mutual Funds through Schwab. 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 acknowledge and understand the risks and costs associated with the investments contained in the SDBA. The investment choices available through the SDBA, are not approved, selected, monitored, or reviewed by MERS or your employer. When you elect to open a SDBA, you assume the sole responsibility for researching, selecting, monitoring, and managing the investments. Before making an investment decision, investors should carefully read and consider investment objectives, risks, charges, and the expense of each investment option, and seek professional investment advisor consultation. Investors should carefully read prospectuses, where applicable, before investing. This and other important information may be obtained by calling Schwab at 888.393.PCRA (7272).

Getting Started

You are eligible to open a SDBA once your account balance exceeds \$5,000, which is the minimum amount that must be maintained in your MERS retirement account (Investment Menu Categories 1 or 2).

To open a SDBA, sign on to your myMERS account, view Retirement Accounts, select your plan, then click the "Manage my account". From there, click the "Change my Investments," and then at the bottom of the right navigation, click "Self-Directed Brokerage: Click here to enroll." Enter your Retirement Plan ID, Plan Access Code, and SSN then click "Submit". You will be prompted to accept the Terms & Conditions and then select "Open a new PCRA", Click on the consent for electronic opening and choose "Continue". From there you will be prompted to complete your online application. Once your form has been submitted electronically, your SDBA will be open and you will receive your new account number online instantly. Your account will be set up on the MERS website within 3 business days, at which point you can initiate a transfer of funds to your SDBA.

SDBA Cost

There is no cost to open the SDBA.

All assets in the retirement plan, whether or not they are invested in the SDBA, pay an expense for administrative services provided to the retirement plans. This fee of 0.0275% (0.33% annual) is calculated based on your average daily balance in the SDBA during each month and deducted against the balance of your account remaining outside of the SDBA. For a complete list of brokerage account fees and charges, please refer to the Schwab Commissions and Service Fees document or call 888.393.PCRA (7272). All Schwab fees are deducted directly from your SDBA.

Some investments will have additional charges for investment management fees, redemption fees, among other types. Please review prospectuses and other important information provided through Schwab, or by calling 888.393.PCRA (7272), before investing. All such costs are deducted directly from your SDBA.

Frequently Asked Questions

How much of my retirement account may I transfer to the SDBA?

Transfers to the SDBA are permitted in any amount over the \$5,000 minimum account balance. After opening the SDBA, \$5,000 is the minimum balance that you must maintain in the MERS retirement account (Investment Menu Categories 1 or 2).

If you have more than one MERS Defined Contribution Plan, MERS Hybrid Plan, and/or 457 Program account, you may invest in the SDBA through each account. The \$5,000 minimum balance is required for each account independently, as the combined balance of all your accounts will not be used to meet the \$5,000 minimum requirement for any one account.

How do I transfer money to my SDBA?

Once your SDBA is established, you may transfer a portion of your balance to it. To do this, sign-on to your myMERS and go to "Change my Investments." Complete a transfer to the SDBA as you would to any other investment option in your account.

Note that a balance of at least \$5,000 must remain in your MERS retirement account (Investment Menu Categories 1 or 2) or the transaction will not be completed.

How do I transfer money back to my retirement account from my SDBA?

Sign-on to your SDBA at Schwab, or call 888.393.PCRA (7272), to liquidate securities in your account. Once the liquidation is complete and funds are moved to the SDBA money market fund, you may transfer the assets back to your MERS retirement account by a transfer initiated through your SDBA account options. Once the money is received by the record-keeper, it will be invested according to your asset allocation instructions on file.

How is the SDBA within my MERS plan different than an account I open directly with Schwab?

SDBAs within a retirement plan operate differently than a retail account because it is considered an asset of the retirement plan. Any transfers from your retirement plan to your account with Schwab will be placed at market close and then transferred the following business day. Schwab sends daily valuation to Alerus (MERS' recordkeeper) who then updates their system to reflect the amount shown within your Schwab account.

Who sends me my statements?

You will receive your quarterly statement, for your MERS retirement account, which will include your SDBA balance along with the balance on your other investments in the plan. In addition, Schwab will send you a quarterly statement with the details of your SDBA activity. Schwab will also send you a monthly statement if you have account activity in your SDBA in that month.

Note: The account balance on your MERS and your Schwab quarterly statements may be slightly different due to different period-ending dates or timing of information sent by Schwab to the plan's record keeper.

Can I direct contributions from my pay check to the SDBA?

Initial contributions made by you or your employer will go directly to your MERS retirement account and be invested according to your investment instructions to your MERS retirement account (Categories 1 or 2). These contributions may not be made directly to your SDBA. Once these contributions are invested, you may then sign-on to your myMERS account and request a transfer to the SDBA for any portion of your account balance that is above the \$5,000 minimum required to remain invested in your MERS retirement account (Categories 1 or 2).

Can I rollover another qualified account directly to my SDBA?

Initial contributions made by you or your employer will go directly to your MERS retirement account and will be invested according to your investment instructions. These contributions may not be made directly to your SDBA. Once these contributions are invested, you may then sign-on to your myMERS account and request a transfer to the SDBA for any portion of your account balance that exceeds the \$5,000 minimum required to remain invested in your MERS retirement account (Investment Menu Categories 1 or 2).

Can I move the Roth portion of my account to the SDBA?

The Roth portion of your 457 account would be eligible for the SDBA, like all other balances within your retirement account.

Can I take distributions from your SDBA?

Your SDBA will not make distributions directly to you. All distributions must be done through your MERS retirement account. If you are requesting a payout from your retirement plan account, the amount requested must be available in your MERS retirement account balance (Investment Menu Categories 1 or 2). To make sure you have a balance eligible to fulfill the requested distribution amount, you must transfer cash from your SDBA back to your MERS retirement account (Investment Menu Categories 1 or 2). If you have transferred an insufficient amount back to your MERS retirement account balance (Investment Menu Categories 1 or 2) to fulfill the amount of your distribution request, your distribution request may not be fulfilled. Please refer to the section above that discusses how to transfer money back to your retirement account from your SDBA.

If my plan has loans, how does my SDBA balance calculate into it?

Your SDBA account balance will be considered into the calculation of how much your account is eligible to provide for a loan amount. However, the requested amount of the loan must be available in your MERS retirement account (Investment Menu Categories 1 or 2). Prior to the loan request, you will need to transfer money back to your retirement account from your SDBA in order to have the requested amount along with the \$5,000 minimum balance after the loan disbursement that will need to remain outside the SDBA.

What is *Options Trading* and is it available under the MERS SDBA?

Options Trading allows participants to extend their investment allocation to purchase “Options,” or contracts. This gives those that buy them the OPTION to buy or sell a stock at a certain price on a certain date.

There are two types of options:

- **Call option:** A call option gives you the right to buy a stock at a specific price by a predetermined date.
Benefits: When you buy a call option, you are betting that the stock price will increase. You are buying a contract that will allow you to buy a stock at what you hope will be a lower price than what the stock is actually worth on the expiration date.
Example: if you held a \$55 call option and the stock currently trades at \$60, then you would be entitled to purchase the stock at \$55. You can then sell it at market price of \$60 and make a profit of \$5 per share.
- **Put option:** Put options give you the right to sell a stock at a specific price by a specific date.
Benefits: You are betting that the stock price will fall. By buying a put option, you are buying a contract that will allow you to sell a stock at what you hope will be a higher price than what the stock is actually worth on the expiration date.
Example: If you owned a \$55 put option and the current stock is trading at \$50, then you would be entitled to sell the stock for \$55. You are selling the stock for \$5 higher per share than what the current market price of that stock is.

Options Trading is an available feature for those who have an established SDBA through Schwab.

What securities can be traded for \$0 commission?

The \$0 commission specifically applies to online stock, ETF, and options trades.

How do I set up Options Trading in my SDBA?

To set up Options Trading, call the Participants Services Team at 888.393.PCRA (7272). Processing time for approval to add this feature to your Schwab SDBA account is approximately five business days. Please note that individual participant option trading permission is contingent on Schwab principal approval.