

# Defined Contribution Investment Policy Statement

Board approved – April 2026



## MISSION

To support a secure retirement for those who serve Michigan Communities.

## VISION

Through exceptional service and comprehensive solutions, MERS will deliver a seamless experience that engages and enables customers to achieve their financial goals.

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## I. INTRODUCTION

The Municipal Employees' Retirement System of Michigan (MERS) is an independent, professional retirement services company created to administer retirement plans for Michigan's local units of government on a not-for-profit basis. MERS is a statewide, voluntary organization created by the Michigan Legislature in 1945. In 1996, the System was granted independence by the Legislature.

MERS offers a Defined Benefit Plan (DB), Defined Contribution Plan (DC), Hybrid Plan, Health Care Savings Program (HCSP), 457 Deferred Compensation Program (457), Deemed Individual Retirement Account (IRA), Retiree Health Funding Vehicle (RHFV), and Investment Services Program (ISP) (the "Plans"). MERS' investments are made through its IRS Rev. Rul. 81-100 group trust, Municipal Employees' Retirement System of Michigan Group Trust, which aggregates MERS' assets for investment purposes. This DC Investment Policy Statement (IPS) covers each Plan except for the Defined Benefit Plan and the defined benefit portion of the Hybrid Plan, and collectively refers to the covered plans as the DC Plans.

The Retirement Board (Board) has delegated all investment management operations and activities to the Chief Executive Officer (CEO) and the Board's Investment Committee, except those specifically reserved by the Board. The CEO is directly responsible for all day-to-day activities of MERS. The CEO has delegated management of MERS' trust assets to the Chief Investment Officer (CIO) and the Office of Investments (Office), including all investment management and oversight activities.

All transactions undertaken on behalf of the DC Plans are for the sole interest of the DC Plans' participants and beneficiaries. Participants shall be provided the opportunity to obtain sufficient information to make informed decisions regarding investment options under the DC Plans.

## II. PURPOSE

The purpose of this IPS is to set forth the general investment policies that the Board has determined to be appropriate and prudent in consideration of the needs of the DC Plans' participants and beneficiaries. It outlines the underlying philosophies and processes for the selection, monitoring, and evaluation of the investment choices and investment managers utilized by the DC Plans.

The Board has sole discretion to interpret this IPS. The Board reserves the right to, at any time, amend, supplement, rescind, grant exceptions to, or deviate from the IPS as and when, in its sole discretion, it determines prudent to do so. The IPS shall be reviewed periodically and amended as appropriate. This IPS is limited to investment matters. It does not purport to address any duties or responsibilities with respect to the adoption, revision, administration, or any other aspect of any of MERS' Plans, including, but not limited to, their operation and compliance with applicable tax laws.

The IPS is intended to be read in conjunction with the DC Plans' governing documents. If any term or provision of this IPS conflicts with any term or provision of the DC Plans' governing documents, such governing documents shall control. The IPS supersedes all previous Board policies pertaining to MERS' investments with respect to the DC Plans.



### III. ROLES & RESPONSIBILITIES

The following describes the investment-related roles and responsibilities of key stakeholders within the DC Plans.

#### Retirement Board

The Board is the sole fiduciary for the DC Plans with respect to establishing, monitoring, and amending the DC Plans' investment lineups. The Board shall execute its duties solely in the interest of the DC Plans' participants and beneficiaries, with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character, and with like aims. The Board has the following duties relative to the DC Plans:

1. Establish, review, amend, and oversee MERS' various retirement product plan documents;
2. Establish, review, and amend the MERS IPS for the defined contribution style programs and institutional funds;
3. Establish and oversee Board committees, including the Investment Committee;
4. Monitor the administration of MERS, its products, and its vendors, including the custodian and recordkeeper; and
5. Direct the MERS staff to provide investment education and communication materials to assist participants in making informed investment elections with respect to their accounts.

#### Investment Committee

With respect to the DC Plans, the Board has delegated the following duties to the Investment Committee:

1. Prepare and monitor adherence to the IPS, and recommend to the Board changes to the IPS as necessary and advisable;
2. Determine the appropriate default investment option for the DC Plans;
3. Review, evaluate, and select the DC Plans' investment options;
4. Review the investment-related fees and expenses of the DC Plans and determine whether such expenses are necessary and reasonable;
5. Determine the overall number and types of DC Plan investment options offered, focusing on easily understandable plan design; and
6. Monitor the operations of the Office with respect to the DC Plans.

#### Office of Investments

The Board has delegated day-to-day MERS administration to the CEO who has delegated investment administration of the DC Plans to the Office, under the supervision of the CIO. In compliance with its fiduciary obligations, the Office shall act with the care, skill, prudence, and diligence that a prudent person acting in a similar capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with similar aims, and shall do the following:

1. Recommend the overall number and types of DC Plan investment options offered, focusing on easily understandable plan design;
2. Establish and maintain due diligence procedures for selecting, monitoring, and eliminating investment choices offered to participants of the DC Plans;



3. Select and appoint outside auditors, consultants, or specialists as determined necessary from time to time;
4. Monitor and evaluate the custodian and all investment service providers;
5. Respond to requests for information from the Board in a timely manner;
6. Provide the Board with the information necessary for the Board to carry out its fiduciary duty;
7. Provide periodic reports to the Board on the activity and results of the DC Plans' investments, including investment performance, investment option additions/subtractions, and relevant industry issues;
8. Adhere to the IPS, and recommend IPS changes to the Investment Committee as necessary and advisable;
9. Review, evaluate, and make recommendations to the Investment Committee regarding the DC Plans' investment options;
10. When applicable, prudently construct and manage investment portfolios in a manner consistent with the style and objective approved by the Investment Committee;
11. Monitor and evaluate the investment-related fees and expenses of the DC Plans' investment funds and recommend to the Investment Committee whether such expenses are necessary and reasonable;
12. Avoid prohibited transactions and conflicts of interest; and
13. Participate in the periodic review of the reasonableness of recordkeeping and custodial services fees and expenses incurred by the DC Plans.

### Recordkeeper

The recordkeeper is responsible for performing the following, as well as other agreed-upon activities, in conjunction with the DC Plans, the recordkeeper contract, and applicable law:

1. Maintain a participant database, which includes fund elections, account balances, and any other data required by the recordkeeper to perform its daily recordkeeping and custodial duties and by MERS to perform necessary business;
2. Accommodate MERS' investment selection and pricing structure, applying fees to participant accounts according to amount and frequency determined by MERS;
3. Reconcile all contributions to deposits through a working interface for trading and reconciliation maintained with any MERS-designated custodian;
4. Ensure deposits are properly allocated to specific investment options according to participant elections in a timely manner;
5. Provide participants and employers with any necessary investment-related notices, statements, or confirmations; and
6. Produce quarterly statements and ensure online access for individual participants through a secure system with access to statements detailing beginning balances, all transactions for the statement period, contributions received, and ending balances as required by applicable law.

### Custodian

The custodial bank (custodian) is responsible for performing the following, as well as other agreed-upon activities, in conjunction with the DC Plans, the custody contract, and applicable law:

1. Fulfill all fiduciary duties of a custodian, as required by applicable state and federal law;
2. Safeguard DC Plan assets, ensure timely settlement of security transactions, and credit all income and principal realizable by the DC Plans in a timely manner;
3. Maintain accurate reporting systems in accordance with the custody contract;



4. Timely deliver DC Plan assets to a successor custodian or as otherwise directed by the Office or its designee, upon termination;
5. Promptly distribute all proxy materials or other corporate actions received by the custodian;
6. Coordinate asset transfers as requested by the Office or its designee(s);
7. Provide fund accounting for investment options;
8. Provide compliance monitoring services for the DC Plans' separate accounts; and
9. Provide all other custodial services necessary for the efficient investment, custody, and administration of MERS' DC Plan assets.

### **Self-Directed Brokerage Account Provider**

The Self-Directed Brokerage Account (SDBA) provider is responsible for performing the following, as well as other agreed-upon activities, in conjunction with the DC Plans, the SDBA provider contract, and applicable law:

1. Determine which specific investments will be offered to participants through the SDBA, subject to any restrictions in the SDBA provider contract or other governing document;
2. Comply with applicable state and federal tax and securities laws;
3. Provide prompt, efficient, and accurate responses to participant directions, as well as provide confirmations and quarterly account statements in a timely fashion; and
4. Agree not to sell or distribute participant information generated through services rendered to the DC Plan, except as otherwise provided as part of a participant's agreement with the SDBA provider to invest under the SDBA.

### **External Investment Managers**

External Investment Managers of the DC Plans' investment options or portfolios underlying the DC Plans' investment options are responsible for the following, as well as investing DC Plan assets in accordance with their investment management agreement with the DC Plans and other governing documents, to achieve their stated investment objectives:

1. Exercise complete investment discretion with regard to buying, holding, managing, and selling assets held in their respective portfolios, subject to any restrictions or requirements in their investment management agreement or other governing documents; and
2. Vote all proxies on securities held in their portfolios.

### **Investment Consultant**

The Investment Consultant provides services that may include, but are not limited to, the following:

1. Provide investment information pertinent to the DC Plans by providing formal reviews of the performance of the investment options, conducting investment option due diligence, or assisting with investment option searches and selection;
2. Make recommendations on policy regarding the availability and oversight of the DC Plans' investment options;
3. Aid the Office in adhering to its duties as described in the IPS; and
4. Provide additional requested services as needed.



### Participants

The DC Plans' participants are responsible for all investment decisions and should do the following:

1. Read investment education and communication materials provided by MERS;
2. Determine their individual risk tolerance based upon their investment objective, time horizon, investment philosophy, and other individual circumstances;
3. Educate themselves on the available investment options;
4. Design an investment plan from the available investment options that best meets their individual requirements and risk tolerance;
5. Manage their own investments by allocating assets and future contributions to the various investment options available through the DC Plans; and
6. Reallocate their investments as their individual circumstances and risk tolerance change.

## IV. INVESTMENT OBJECTIVE

The investment objective of the DC Plans is to accommodate the varying needs of the participants by providing appropriate and diversified investment options. The investment options shall include an assortment of investment choices across a range of asset classes, risk levels, and investment strategies. The investment costs associated with each option shall be reasonable, considering each option's asset class and investment strategy.

## V. INVESTMENT OPTIONS

### DC Plans Investment Menu

The following describes the investment categories that DC Plan participants and beneficiaries can use to address their individual needs.

#### Target Date Funds

The Target Date Funds offer participants a simple way to invest. Each fund is named for a "target date" (the approximate year in which the participant is expected to retire and start withdrawing from their account). Target Date Funds are expected to meet the general investment needs of the average participant in different age groups by utilizing a glide path. A glide path represents the changes made to the asset allocation over time as the target date approaches.

The Target Date Funds' glide path shall be based on broadly accepted investment theory and methodology and reasonable capital market assumptions. The Office and Investment Committee shall periodically review the appropriateness of the glide path.

#### Additional Fund Options

The additional fund options shall represent a diversified array of investment options that allow participants to build portfolios consistent with their individual preferences and objectives. At a minimum, the additional investment options offered by the DC Plans will include choices representing at least three primary asset classes: cash (or other principal preservation), fixed income (bonds), and equity (stocks). The Board, advised by the Office, will determine which asset classes, investment types, and strategies should be reflected in the fund menu. The Board will determine whether each option should employ an active, passive, or blended investment approach.



### Self-Directed Brokerage Account

The Self-Directed Brokerage Account (SDBA) provides eligible DC Plan participants and beneficiaries access to a broad range of investment alternatives outside of the options described above. In order to invest via the SDBA, participants must meet certain requirements specified by the DC Plans and SDBA provider and accept all the risks and costs related to such investment alternatives. Participants selecting the SDBA must execute documentation as required by MERS and the SDBA provider acknowledging and accepting (a) the risks associated with investing in the SDBA, including that none of the investment options available in the SDBA have been reviewed, monitored or deemed suitable by MERS, (b) the participant's responsibility regarding investment decisions pertaining to the SDBA, and (c) limited liability and indemnification obligations imposed on the participant with respect to MERS and the SDBA provider.

### Default Investment Options

The Investment Committee shall establish a default investment option to allocate contributions to a participant's DC Plan account when a participant fails to make an investment selection for elective or employer contributions after the opportunity to do so, or when a participant is automatically enrolled in the DC Plan and does not make an affirmative investment election after the opportunity to do so.

The default investment option must be life-cycle or target retirement date funds, a balanced fund, or a professionally managed account.

1. Any default option for a DC Plan shall be managed by an investment manager or investment company registered under the Investment Company Act of 1940, a trust company exempted from such registration, or by an insurance company;
2. The Investment Committee shall consider the objectives of the DC Plans when choosing an appropriate default option;
3. A notice shall be furnished to participants in advance of the first investment in the default option;
4. Investment education material regarding the default option shall be made available to participants;
5. Participants shall have the opportunity to direct investments out of a default option as frequently as from other investments; and
6. The Office shall document the decision-making process when determining an appropriate default option. It shall periodically review the default option to ensure that it continues to satisfy the requirements for a default investment option.

### Default Option (RHFV only)

The Institutional Funds include the ISP and RHFV. The following describes the investment categories offered to Institutional Fund participants to address their needs.

### Premium Select Options

The Investment Committee shall establish a default investment option to allocate contributions to the RHFV when a participant fails to make an investment selection for participant contributions after the opportunity to do so.

The default fund shall provide a balance of long-term appreciation and capital preservation through exposure to a mix of equity, fixed income, and diversifying investments.

1. The Investment Committee shall consider the objectives of the RHFV when choosing an appropriate default option;
2. A notice shall be furnished to participants in advance of the first investment in the default option; and

3. The Office shall document the decision-making process when determining an appropriate default option. It shall periodically review the default option to ensure that it continues to satisfy the requirements for a default option.

## VI. SELECTION & MONITORING OF INVESTMENT OPTIONS

The Office shall periodically review each of the DC Plan investment options and recommend to the Investment Committee adding, removing, or changing investment managers or options as may be appropriate. DC Plan investment options shall be selected and monitored with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character, and with like aims. All DC Plan investment determinations shall be for the sole benefit of the participants and beneficiaries in the DC Plans.

The Office considers qualitative and quantitative factors when selecting and monitoring any investment option, focusing on those it believes may significantly affect long-term performance.

Specific factors may be applied to the evaluation of all Plan funds or the evaluation of only certain types of funds. No single factor shall determine whether an investment option should be added, retained, or eliminated; however, depending on the specific circumstances of each evaluation, certain factors may carry more weight in the final analysis.

### General Investment Evaluation Criteria

The Office shall consider a range of factors when evaluating the Plan's investment options. The Office shall consider a range of factors it determines prudent when evaluating the Plan's investment options. These factors may include, but are not limited to:

1. The size, history, and reputation of the investment firm that manages the investment option;
2. The experience of the individual manager or management team for each investment option;
3. The investment objectives, strategy, and structure of the option;
4. The option's historical risk and return measured against appropriate benchmarks and/or peer groups;
5. The option's liquidity profile;
6. The option's cost to participants; and/or
7. The option's ability to assist participants in meeting their individual investment goals when evaluated with the other available investment options.

### Target Date Fund Evaluation Criteria

The Office shall periodically evaluate the Target Date Funds using the general criteria above, as well as criteria that may include, but not limited to, the following:

1. Asset class diversification;
2. The glide path of funds, paying close attention to the equity exposure and slope of the glide path;
3. The rebalancing process; and
4. The reasonableness of the glide path, taking into account material changes to plan demographics.



### Additional Fund Options Evaluation Criteria

The Office shall periodically evaluate the additional fund options using the general evaluation criteria above, as well as criteria that may include, but not limited to, the following:

1. Passively managed funds:
  - a. The fund's ability to successfully track its stated benchmark.
2. Actively managed funds:
  - a. The consistency of investment philosophy and process; and
  - b. The fund's ability to outperform its stated benchmark, or another benchmark, as the Office or its designees deem prudent, over complete market cycles.
3. Asset Allocation Portfolios are constructed by the Office based on generally accepted investment theories, and by taking into consideration the investment objective designated by the Investment Committee and the expected risk/return profiles and investment objectives of the underlying funds. However, the portfolios themselves shall be evaluated using the general evaluation criteria above.
4. Principal Preservation Funds:
  - a. The fund's ability to successfully track or outperform its stated benchmark, or another benchmark, as the Office or its designees deem prudent, or otherwise provide competitive yields;
  - b. The volatility of the fund's returns;
  - c. The fund's termination provisions;
  - d. The financial strength of the fund's insurers or provider;
  - e. Explicit and implicit costs associated with the fund's insurance guarantee;
  - f. The fund's market to book ratio; and
  - g. The fund's crediting rate methodology

### Self-Directed Brokerage Account Criteria

The Office periodically reviews the SBDA provider to ensure the brokerage service provides market-competitive services at reasonable fees. However, MERS is not responsible in any way for a participant's decision to invest their assets using the SDBA, and all such participants do so at their own risk. The SDBA provider, alone, is responsible for determining which specific investments it will offer to participants through the SDBA, subject to any requirements and restrictions in the SDBA provider contract. However, MERS may instruct the SDBA provider to restrict the broad types of investment options offered to participants and beneficiaries through the SDBA as MERS deems prudent.

Specific investments within the SDBA are not designated plan investment options.

## VII. PERFORMANCE REVIEW

The Office shall annually review each of the DC Plan investment options, focusing on the following:

1. Investment option performance compared against appropriate benchmarks and peer universe, in consideration of the options' risk profile;
2. Target Date Funds asset allocation relative to target asset allocation;
3. Investment option management fees and expenses;
4. Investment option suitability in relation to building a diversified portfolio; and
5. Investment manager organizational/management changes.



Upon completion of its review, the Office will present its findings to the Investment Committee for consideration and evaluation regarding whether investment option changes are needed.

### VIII. CHANGES TO INVESTMENT OPTIONS

If the Office determines that an investment option has not met expectations, and such failure is unlikely to be resolved, the Office shall present the Investment Committee with a recommendation for termination and, if appropriate, replacement.

The Investment Committee shall review the Office's recommendation and determine if termination is appropriate and, if so, determine an appropriate replacement, if applicable.

Before termination and replacement, reasonable notice shall be provided to participants unless the need for prompt, prudent action on behalf of participants precludes advance notice. In cases that preclude advance notice, notice will be provided to participants as soon as reasonably practicable.

### IX. PROXY VOTING

The Office is responsible for voting all proxies solicited in connection with directly held securities within portfolios managed by MERS, but may delegate proxy voting duties to an outside service provider.

The outside service provider shall keep accurate records with respect to its proxy voting and make those records available to MERS for review at MERS' request.

In any cases where MERS has delegated DC Plan investment management duties to External Investment Managers, the manager(s) shall also be responsible for voting proxies solicited in connection with securities held in the manager(s)' respective portfolios. From time to time, External Investment Managers may solicit proxies directly from MERS. In this case, the Office is responsible for reviewing the proxy and determining how MERS will vote or abstain, or if MERS will delegate to an outside service provider the responsibility for voting the proxy.

### X. POLICY REVIEW

This IPS shall be periodically reviewed for necessary modifications. The IPS shall remain in effect until revised or amended by the Board. All decisions regarding investment options, administrative issues, and communication efforts must be made for the exclusive purpose of benefiting the DC Plans' participants and beneficiaries.

### XI. CODE OF ETHICS

The Office will conduct its affairs in a manner that reflects the highest standards of ethical conduct. The Office shall comply with the CFA Institute Code of Ethics and Standards of Professional Conduct.