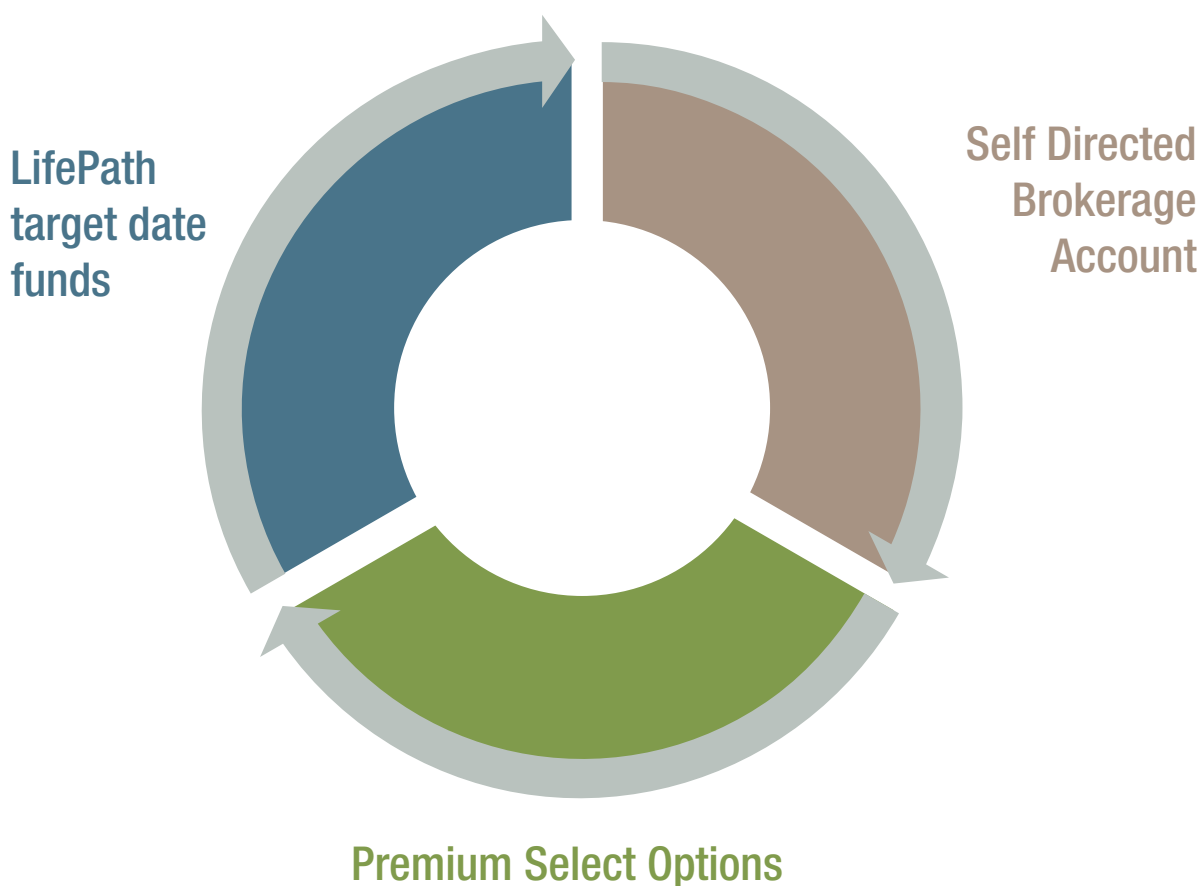


Investment Policy Statement: Participant Directed Accounts & Institutional Funds

Board approved in February 2025



MISSION

Partner with those who serve Michigan communities to provide retirement benefits and related services to support a secure retirement.

VISION

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

Table of Contents

Participant Directed Accounts & Institutional Funds



Contents

I. INTRODUCTION.	1
II. PURPOSE.	1
III. ROLES & RESPONSIBILITIES	2
IV. INVESTMENT OBJECTIVE	5
V. INVESTMENT OPTIONS	5
VI. SELECTION & MONITORING OF INVESTMENT OPTIONS	8
VII. PERFORMANCE REVIEW.	9
VIII. CHANGES TO INVESTMENT OPTIONS	10
IX. PROXY VOTING	10
X. POLICY REVIEW	10
XI. CODE OF ETHICS.	10

I. INTRODUCTION

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

MERS offers a Defined Benefit Plan, Defined Contribution Plan, Hybrid Plan, Health Care Savings Program, 457 Deferred Compensation Program, Retiree Health Funding Vehicle, Investment Services Program, and Deemed IRA.

The Retirement Board (Board) has delegated all investment oversight 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 Office of Investments, including all investment management activities.

The MERS Investment Policy Statement (IPS) for the Participant Directed Accounts and Institutional Funds applies to the Defined Contribution Plan and the Defined Contribution portion of the Hybrid Plan (DC), Health Care Savings Program (HCSP), 457 Deferred Compensation Program (457), the Deemed IRA (IRA), the Retiree Health Funding Vehicle (RHFV), and the Investment Services Program (ISP) (Plans) sponsored by MERS. The Board has adopted the IPS to provide guidelines for the structure, selection, and monitoring of the investment options offered under these programs. This Policy supersedes all previous Board policies pertaining to MERS' investments.

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

The Board shall have 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 is prudent to do so. The IPS shall be reviewed at least 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 all applicable tax laws.

The IPS is intended to be read in conjunction with the Plans' governing documents. If any term or provision of this Policy conflicts with any term or provision of the Plans' governing documents, such governing documents shall control.



III. ROLES & RESPONSIBILITIES

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

Retirement Board

The Board is the sole fiduciary for the Plans with respect to establishing, monitoring, and amending the various Plans' investment lineups. It shall execute its duties solely in the interest of the 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 delegated day-to-day administration of MERS to the CEO, including vendor hiring and termination. The Board has the following duties:

1. Establish, review, amend, and oversee MERS' various retirement product plan documents;
2. Establish, review, and amend the MERS IPS for the Participant Directed Accounts 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 decision-makers (participants) in making informed investment elections with respect to their accounts.

Investment Committee

With respect to the Plans, the Board has tasked the Investment Committee with the following duties:

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, 457, HCSP, RHFV, and IRA;
3. Review, evaluate, and select the Plans' investment options;
4. Review the investment-related fees and expenses of the Plans and determine whether such expenses are necessary and reasonable;
5. Determine the overall number and types of options offered, focusing on easily understandable plan design; and
6. Monitor the operations of the Office of Investments with respect to the Plans.

Office of Investments

The Office of Investments, under the supervision of the CEO, has been authorized by the Board to oversee the Plans' investment options. In compliance with its fiduciary obligations, the Office of Investments 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 options offered, focusing on easily understandable plan design, so participants have a greater likelihood of achieving their financial goals through a diversified

Investment Policy Statement

Participant Directed Accounts & Institutional Funds



- portfolio given their individual investment risk tolerance;
2. Establish and maintain due diligence procedures for selecting, monitoring, and eliminating investment choices offered to participants of the Plans;
 3. Select and appoint outside auditors, consultants, or specialists as may be determined necessary from time to time;
 4. Monitor and evaluate 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 to carry out its fiduciary duty; provide periodic reports to the Board on the activity and results of the Plans' investments, including investment performance, investment option additions/subtractions, and relevant industry issues;
 7. Adhere to the IPS, and recommend to the Investment Committee changes to the IPS as necessary and advisable;
 8. Review, evaluate, and make recommendations to the Investment Committee regarding the Plans' investment options;
 9. When applicable, prudently construct and manage investment portfolios in a manner consistent with the style and objective approved by the Investment Committee;
 10. Monitor and evaluate the investment-related fees and expenses of the Plans' investment funds and recommend to the Committee whether such expenses are necessary and reasonable;
 11. Avoid prohibited transactions and conflicts of interest; and
 12. Participate in the periodic review of the reasonableness of the fees and expenses incurred by the Plans for recordkeeping, investment management, and custodial services.

Recordkeeper

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

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. Through a working interface for trading and reconciliation maintained with any MERS designated custodian, reconcile all contributions to deposits;
4. Ensure deposits are properly allocated to specific investment options according to participant elections;
5. Provide to participants and employers 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 governing regulations.

Custodian

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

Investment Policy Statement

Participant Directed Accounts & Institutional Funds



1. Fulfill all regular fiduciary duties of a custodian, as required by applicable state and federal laws;
2. Safeguard Plan assets, ensure timely settlement of security transactions, and credit all income and principal realizable by the Plans in a timely manner;
3. Maintain accurate reporting systems, in accordance with the contract, which provide information on all monies received or paid on behalf of the Plans and all securities under the custody contract, including all unsettled securities transactions;
4. Deliver in a timely manner Plan assets to a successor custodian or as otherwise directed by the Office of Investments or its designee with proper instructions upon termination;
5. Distribute promptly all proxy materials or other corporate actions received by the custodian;
6. Coordinate asset transfers as requested by the Office of Investments or its designee(s);
7. Provide fund accounting for investment options. Services include, but are not limited to, calculating net asset value (NAV), maintaining a working interface for trading and reconciliation with the Plans' recordkeeper, executing daily trades, executing monthly rebalancing for the investment structure, posting securities trades, and analyzing funds relative to target allocations;
8. Provide compliance monitoring services for the Plans' separate accounts; and
9. Provide all other custodial services not mentioned above necessary for the efficient investment, custody, and administration of MERS' assets.

Self-Directed Brokerage Account Provider

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

1. Determine which specific investments will be offered to participants through the SDBA, subject to any restrictions in the SDBA provider contract or other establishment document;
2. Comply with the Internal Revenue Code and all applicable federal and state securities laws;
3. Provide prompt, efficient, and accurate responses to participant directions, as well
4. as provide confirmations and quarterly account statements in a timely fashion; and
5. Agree not to sell or distribute member lists generated through services rendered to the Plans.

External Investment Managers

External Investment Managers of the Plans' investment options or portfolios underlying the Plans' investment options are responsible for the following, as well as investing such assets in accordance with their investment management agreement with the Plans or 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 only to any restrictions in their investment manager 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 Plans by providing formal reviews of the performance

Investment Policy Statement

Participant Directed Accounts & Institutional Funds



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 Plans' investment options;
3. Aid the Office of Investments in adhering to its duties as described in the IPS; and
4. Provide additional requested services as may be appropriate.

Participants

The 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 Plans; and
6. Reallocate their investments as their individual circumstances and risk tolerance change.

IV. INVESTMENT OBJECTIVE

The investment objective of the 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

Participant Directed Accounts Investment Menu

The Participant Directed Accounts (PDA) include the DC, 457, HCSP, and IRA. The following describes the investment categories that PDA participants and beneficiaries can use to address their individual needs.

LifePath (Target Date Funds)

The LifePath 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). LifePath 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 LifePath glide path shall be based on broadly accepted investment theory and methodology and

reasonable capital market assumptions. The MERS Office of Investment and Investment Committee shall periodically review the appropriateness of the glide path.

Premium Select Options

1. Premium Select – Asset Allocation Portfolios

The Premium Select Asset Allocation Portfolios are multi-manager investment options built to offer participants the ability to benefit from economies of scale by utilizing investments MERS' Defined Benefit portfolio. The options are designed so a participant can select a portfolio that best matches their individual risk tolerance. They are intended to offer attractive risk-adjusted returns at a reasonable fee.

2. Premium Select – Asset Specific Funds

The Premium Select Asset Specific Funds provide a participant the opportunity to structure their own unique portfolio by allocating their investments among single asset class options. The funds may either be components of the MERS Defined Benefit portfolio or outside investment funds.

Self-Directed Brokerage Account

The Self-Directed Brokerage Account (SDBA) provides participants access to a broad range of investment alternatives outside of the tiers described above while remaining within the PDA. Participants who desire additional investment options and are willing to accept all risks and costs

related to such alternatives can make their own investment decisions through the SDBA. The SDBA is available to participants through MERS DC or 457 programs as long as they maintain a pre-determined account balance.

Participants selecting the SDBA must sign an election form acknowledging that: (a) the participant understands and accepts any and all risks associated with this selection; (b) the participant understands and accepts that none of the investments available in the SDBA have been reviewed for suitability by the Committee; (c) the participant is solely responsible for determining the suitability or appropriateness of any selected investment, and; (d) the participant agrees to hold the PDA and its fiduciaries harmless for any adverse consequences they may incur as a result of using the self-directed brokerage option.

Default Options

The Investment Committee shall establish a default fund to allocate contributions to the PDA 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 Plan and does not make an affirmative investment election after the opportunity to do so.

The default fund shall provide varying degrees of long-term appreciation and capital preservation through exposure to a mix of equity, fixed income, and diversifying investments that vary based on the participant's age, expected retirement date, life expectancy, or the characteristics of the participants in the aggregate.

1. Any default option for a PDA 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 each plan when choosing an appropriate

Investment Policy Statement

Participant Directed Accounts & Institutional Funds



default option for each plan;

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 of Investments 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.

Institutional Funds Investment Menu

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

1. Premium Select – Asset Allocation Portfolios

The Premium Select Asset Allocation Portfolios are multi-manager investment options built to offer participants the ability to benefit from economies of scale by utilizing investments in the MERS' Defined Benefit portfolio. The options are designed so a participant can select a portfolio that best matches their individual risk tolerance. They are intended to offer attractive risk-adjusted returns at a reasonable fee.

2. Premium Select – Asset Specific Funds

The Premium Select Asset Specific Funds provide a participant the opportunity to structure their own unique portfolio by allocating their investments among single asset class options. The funds may either be components of the MERS Defined Benefit portfolio or outside investment funds.

Default Option (RHFV only)

The Investment Committee shall establish a default fund to allocate contributions to the RHFV when an 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 of Investments 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 of Investments shall periodically review each of the Plan investment options and recommend

to the Investment Committee adding, removing, or changing investment managers or options as may be appropriate. 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 Plan determinations shall be for the sole benefit of the participants and beneficiaries in the Plans.

The Office of Investments considers qualitative and quantitative factors when selecting and monitoring any investment option, focusing on factors that may significantly impact 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.

Outlined below are examples of factors that may be used to select and monitor the Plans' investment options. The Office of Investments may consider other factors as it determines prudent.

General Investment Evaluation Criteria

The Office of Investments shall consider a range of factors 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 cost to participants; or
7. The ability to assist participants in meeting their individual investment goals when evaluated with the other available investment options.

LifePath (target date funds) Criteria

The Office of Investments shall periodically evaluate The LifePath target date funds using the general criteria above as well as criteria that may include, but not be 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.

Premium Select Asset Allocation Portfolios

The Premium Select Asset Allocation Portfolios are constructed by the Office of Investments based on generally accepted investment theories, and by taking into consideration the investment objective designated by the Investment Committee and the expected risk and return profiles and investment objectives of the underlying funds. However, the portfolios themselves shall be evaluated using the general evaluation criteria above.

Premium Select Asset Specific Funds

Premium Select Asset Specific Funds shall be evaluated using the general evaluation criteria above as well

as criteria that may include, but not be 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 over complete market cycles.
3. Stable Value Fund:
 - a. The fund's ability to successfully track its stated benchmark;
 - b. The volatility of the fund's returns;
 - c. The fund's termination provisions;
 - d. The financial strength of the fund's insurers;
 - 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 Defined Contribution, Hybrid Plan, and the 457 Supplemental Retirement Program offer a Self-Directed Brokerage Account (SDBA) that is intended to provide participants the opportunity to direct investment of their Plan assets to a wide variety of securities that are not otherwise available in the Plans' investment menus. The Office of Investments periodically reviews the brokerage account provider to ensure the brokerage service utilizes sufficient controls to safeguard participant funds, as well as 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 brokerage window, 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 restrictions in the SDBA provider contract.

VII. PERFORMANCE REVIEW

The Office of Investment shall periodically review each of the investment options. Specifically, the Office shall focus on the following:

1. Quarterly performance report;
2. LifePath target date funds asset allocation relative to target asset allocation;
3. MERS Proprietary Portfolios asset allocation relative to target asset allocation;
4. Analyze investment management expenses of the options;
5. Suitability of investment options in relation to building a diversified portfolio; and
6. Changes within a manager's organization or portfolio management team.

The Investment Committee shall periodically (at least annually) review and evaluate the investment performance of the Plans' investment options. The investment performance review shall include comparisons against the appropriate benchmark indices and peer universes over relevant time frames. The review shall consider the amount of risk taken to achieve the results.

The Investment Committee shall periodically review investment fees participants pay compared to similar funds.



VIII. CHANGES TO INVESTMENT OPTIONS

If during a periodic review, the Office of Investments determines 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 replacement.

The Investment Committee shall review the Office of Investments' 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 the provision of prior notice. In cases that preclude the provision of prior notice, notice will be provided to participants as soon as it is practicable.

IX. PROXY VOTING

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

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 the Plans have delegated investment management duties to External Investment Managers, the Plans delegate to the External Investment Managers the responsibility 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 the Plans. In this case, the Office of Investments is responsible for reviewing the proxy and determining how the Plans will vote or abstain, or if the Plans will delegate to an outside service provider the responsibility for voting the proxy.

X. POLICY REVIEW

This IPS shall be reviewed periodically 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 Plans' participants and beneficiaries.

XI. CODE OF ETHICS

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