

**MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF MICHIGAN
 BOARD MEETING MINUTES
 Lansing Home Office
 January 21, 2016**

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**MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF MICHIGAN
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BOARD MEMBERS PRESENT

Michael Brown, Chair
Sally Dreves, Vice-Chair
Jason Sarata
Michael Gilmore
Randy Girard
Jim Wiersma
Dale Feldpausch
Amy Deford
John Ogden

MERS STAFF PRESENT

Chris DeRose, Chief Executive Officer
Pam Steffy, Board Secretary
Carrie Lombardo, Chief Strategic and External Affairs
Officer
Jeb Burns, Chief Investments Officer
Leon Hank, Chief Financial Officer
Pat Tarini, General Counsel
Kristin Bellar, Senior Deputy General Counsel
Kim Rhead, Government Affairs Director
Carri Simon, Internal Auditor
Ryan Ruby, Actuarial Analyst
Mike Charette, Senior Investment Officer & Portfolio
Manager
Erin Boertman, Employer Services Director
Mike Setnicky, Participant Operation Director
Terri Pollack, Paralegal
Lori Smith, Office Administrator of Investments
Denise Boucke, Human Resources Director

Call to Order

In light of the expiration of the term of office of the Board officers, CEO Chris DeRose called the meeting of the MERS Retirement Board to order at 9:03 a.m. on Thursday, January 21, 2016.

Election of Board Chairperson

Mr. DeRose stated the first item of business is election of officers for 2016. Mr. DeRose conducted the election for Chairperson. Nominations were declared open. Mr. Wiersma nominated Michael Brown for Chairperson of the Retirement Board for 2016; supported by Ms. Dreves. Having no other nominees, nominations were closed. Motion carried by unanimous ballot.

Election of Board Vice-Chair

Chairperson Brown conducted the election for Vice-Chair. Nominations were declared open. Mr. Ogden nominated Sally Dreves for Vice-Chair of the Retirement Board for 2016; supported by Mr. Girard. Having no other nominees, nominations were closed. Motion carried by unanimous ballot.

Public Audience

No members of the public were present.

Old Business

No old business was brought before the Board.

General Consent Agenda

Motion by Mr. Girard to remove the minutes from the General Consent Agenda as Mr. Feldpausch and Mr. Sarata were not on the Board in 2015 and should abstain from voting on these minutes. Supported by Mr. Wiersma, motion carried.

Mr. Girard moved to approve the November 12, 2015 minutes; supported by Mr. Gilmore. Motion carried.

New Business

CEO Report

Mr. DeRose presented the CEO Report on:

- MERS Strategic Direction:
 - 2015 Balanced Score Card and 2015 Business Plan
 - 2016 Balanced Score Card and 2016 Business Plan
- Public Policy Activities
- Outreach to Customers and Key Stakeholders
- Retirement Readiness
- Finance Activities
- Investments
- Internal Auditor
- Organizational Realignment
- New Board Member Orientation
- Employee Communication
- Eaton County

Anti-Harassment & Ethics Policies

Mr. Brown discussed the MERS Ethics and Anti-Harassment Policies, all Board members signed the affirmations.

Committee Appointments

Mr. Brown advised Board members to consider the various Board committees, and contact him with their interest in serving on one. He indicated he will make appointments at the March Board meeting.

Service Credit Purchase

Mr. Hank, Chief Financial Officer, discussed the January 11, 2016 Memorandum to Mr. DeRose, CEO, regarding Service Credit Purchase Assumption Changes. Mr. Hank recommends the Board adopt, for purposes of service credit purchase, the actuarial assumption changes recently adopted for purposes of funding the plan and as those may be amended in the future, with the exception of the assumed rate of investment return, which he recommended be hereafter fixed for service credit purchases at 1% less than the System's then-current assumed rate of investment return, to be effective for such purchases as soon as administratively possible.

Mr. Ogden made a motion to accept the recommended revisions to the Actuarial Assumption Governing Service Credit Purchase, supported by Ms. Dreves. Motion carried.

City of Lincoln Park

Ms. Boertman, Employer Services Director, discussed the January 8, 2016 Memorandum to Mr. DeRose, CEO, updating the Board on actions staff will be taking to ensure the minimum required contribution payments are received from the City of Lincoln Park.

Alpena Regional Medical Center

Ms. Boertman, Employer Services Director, discussed the January 8, 2016 Memorandum to Mr. DeRose, CEO, recommending the Board approve the request by Alpena Regional Medical Center for an exception to Section 11 of the Plan Document and the Restated Policy on Closed Municipalities to have its reserve assets and liabilities transferred to another tax-qualified plan sponsored by Mid-Michigan Health, which is taking ownership of the Alpena Regional Medical Center, contingent upon the execution of a transfer agreement on terms acceptable to MERS, and direct staff to take appropriate action to implement this decision. Motion made by Mr. Gilmore to approve; supported by Ms. Dreves. Motion carried.

Internal Audit Plan

Ms. Simon, Internal Auditor, discussed the January 11, 2016 Memorandum to Mr. DeRose, CEO, seeking the Board's approval of the 2016 Audit Plan. Mr. Wiersma made a motion to approve the 2016 Audit Plan; supported by Ms. Deford. Motion carried.

Aho v MERS

Mrs. Tarini, General Counsel, reviewed with the Board the background of this matter, the administrative hearing, the Administrative Law Judge's Proposal for Decision and the Exceptions and Response to Exceptions filed. After review and discussion, Mr. Wiersma made a motion to reject the proposal for decision and deny non duty disability benefits based on the reasons provided in the exceptions to the PFD; supported by Mr. Feldpausch. Motion carried. Mr. Girard did not participate in the discussion or vote on this matter.

Hofer Beneficiary Matter

Mrs. Tarini, General Counsel, discussed the January 14, 2016 Memorandum to Mr. DeRose, CEO, reviewing with the Board the background of this matter. After review and discussion, Mr. Girard made a motion to accept Option II; supported by Mr. Ogden, to correct the records of the Fund and accept the designation of Justin Hofer as deceased participant Robert Hofer's survivor beneficiary for purposes of the Option II survivor benefit, contingent upon Justin Hofer's return to the Fund of the refunded employee contribution amount he received of \$659.99. Motion carried.

McDaniel v MERS and SMART

In the matter of Shona McDaniel v MERS and SMART, Mrs. Tarini reviewed with the Board the background of this matter. After review and discussion, Ms. Deford made a motion to accept and adopts as its own the Findings of Fact and Conclusions of Law as stated by the Hearing Officer in her November 19, 2015 Proposal for Decision on Remand, and Petitioner's application for non-duty disability retirement is granted; supported by Mr. Gilmore. Motion carried.

Investment Reports

Mr. Burns, Chief Investments Officer, presented the portfolio performance report for the period ending November 30, 2015 and discussed the 2015 Office of Investments and Portfolio Review.

IRS limits to employee compensation

At this point, all MERS staff members were excused from the meeting except Ms. Boucke, Human Resources Director and Mrs. Tarini, General Counsel. Ms. Boucke and Mrs. Tarini discussed IRS limitations imposed on pension benefit calculations and possibilities for supplemental compensation for affected employees.

Adjournment

Meeting adjourned at 12:48 p.m.

Respectfully submitted,



Michael Brown, Chairperson



Chris DeRose, Chief Executive Officer