

**MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF MICHIGAN  
BOARD RETREAT MEETING MINUTES  
The Henry Center of MSU  
July 15-16, 2015**

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- Chief Executive Officer (CEO) mid-year self-evaluation and discussion
- Experience Study – Discussion, Decisions and Outreach approach
- Global Themes from the MERS Asset Allocation
- Annual Conference Preview

**Adjournment ..... 7**

**MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF MICHIGAN  
BOARD MEETING MINUTES  
The Henry Center of MSU  
July 15-16, 2015**

**BOARD MEMBERS PRESENT**

Michael Brown, Chair  
Sally Dreves, Chair, Pro Tem  
Phil LaJoy  
Randy Girard  
John Ogden  
Jim Wiersma  
Amy Deford  
Michael Gilmore

Lori Newberg, Absent

**MERS STAFF PRESENT**

Chris DeRose, Chief Executive Officer  
Pam Steffy, Board Secretary  
Deb Peake, Chief Employee & Retiree Services Officer  
Jeb Burns, Chief Investments Officer  
Leon Hank, Chief Financial Officer  
Carrie Lombardo, Chief Marketing & Employer Services Officer  
Pat Tarini, General Counsel  
Kristin Bellar, Senior Deputy General Counsel  
Betsy Waldofsky, Finance Director  
Erin Boertman, Employer Services Director  
Kim Rhead, Legislative Affairs & Public Policy Director  
William SaintAmour, Director of Research Services  
Jennifer Mausolf, Marketing & Product Development Director

**OTHERS PRESENT**

Ryan Ruby, Actuarial Analyst  
Jim Koss, Senior Actuary, CBIZ  
Alan Sonnanstine, Senior Actuary, CBIZ

**CALL TO ORDER**

Chairperson Michael Brown called the meeting of the MERS Retirement Board to order at 10:02 a.m. on Wednesday, July 15, 2015.

**Retreat Meeting Overview**

Mr. DeRose, Chief Executive Officer (CEO), presented the Retreat Overview for Wednesday, July 15, 2015 on:

- Experience Study – Review of previous discussions, discussion of options and recommendations
- Voice of the Customer Spring 2015 Insights

**Experience Study**

Mr. Hank, Chief Finance Officer, and CBIZ Actuaries Mr. Koss and Mr. Sonnanstine reviewed previous discussions, options and recommendations on the Actuarial Experience Study for 2009-2013.

## **Voice of the Customer**

Ms. Lombardo, Chief Marketing & Employer Services Officer, Jennifer Mausolf, Marketing & Product Development Director, and William SaintAmour, Director of Research Services, presented the Voice of the Customer Spring 2015 Insights.

Meeting adjourned at 12:50 p.m.

## **CALL TO ORDER**

Chairperson Michael Brown called the meeting of the MERS Retirement Board to order at 2:05 p.m. on Wednesday, July 15, 2015.

## **PUBLIC AUDIENCE**

No members of the public were present.

## **OLD BUSINESS**

No old business was brought before the Board.

## **GENERAL CONSENT AGENDA**

Mr. LaJoy moved to approve the May 14, 2015 General Consent Agenda; supported by Mr. Wiersma. Motion carried.

## **NEW BUSINESS**

### **CEO Report**

Mr. DeRose presented the CEO Report on:

- MERS Strategic Direction: 2015 Balanced Score Card and 2015 Business Plan
- Experience Study
- Public Policy Activities
- Outreach to Customers and Key Stakeholders
- Outreach to Reporters
- Finance Activities
- Investments
- Employee Communication

### **Certification of MERS Officer and Employee Delegates**

Mr. Girard moved to approve Leon Hank and Peter Charette as the Officer and Employee delegates to the 2015 MERS Annual Conference; supported by Mr. Gilmore. Motion carried.

### **Fiduciary Education**

Ms. Bellar, Senior Deputy General Counsel, presented information on Fiduciary Duty.

## **Board Governance Policy**

Mr. DeRose, CEO, and Ms. Bellar, Senior Deputy General Counsel, discussed the July 6, 2015 Memorandum to the MERS Retirement Board recommending no changes to the MERS Governance Policies. The Board accepted the recommendations of Mr. DeRose and Ms. Bellar.

## **Working in Retirement Guidelines**

Ms. Lombardo, Chief Marketing and Employer Services Officer, and Ms. Jennifer Mausolf, Marketing Director, discussed the July 1, 2015 Memorandum to Mr. DeRose, CEO, recommending revisions to Sections 9 and 59 of the Plan Document. The Board referred this matter to staff for further study and recommendations, to be presented at the October Board meeting.

## **Coffield v MERS and Hurley Medical Center**

In the matter of Daniel Coffield v MERS and Hurley Medical Center, Mr. Girard moved that the Board accept and adopt as its own, the Findings of Fact and Conclusions of Law stated by the Hearing Officer in her May 1, 2015 Proposal for Decision, and grant Petitioner's request for relief with respect to the IRC Section 401(a) (17) compensation limits, and deny the remainder of his claim with respect to his compensation and FAC period, and further order MERS to refund Mr. Coffield the employee contributions collected by Hurley Medical Center on the imputed income found by the Hearing Officer to not be includible compensation for purposes of Mr. Coffield's retirement, supported by Mr. LaJoy. Motion carried.

## **Shona McDaniel v MERS and Smart**

In the matter of Shona McDaniel v MERS and Smart, Mr. Ogden moved that the Board grant Petitioner's request for a rehearing/reconsideration before the Administrative Law Judge, supported by Mr. Girard. Motion carried.

## **Legislative Report**

Mr. Kim Rhead, Legislative Affairs and Public Policy Director, updated the Board on pending legislative action.

## **Investment Report**

Mr. Burns, Chief Investments Officer (CIO), presented the CIO Monthly Report Summary for the period ending May 31, 2015.

## **Adjournment**

Meeting adjourned at 5:35 p.m.

**THURSDAY, JULY 16, 2015**

**BOARD MEMBERS PRESENT**

Michael Brown, Chair  
Sally Dreves, Chair, Pro Tem  
Randy Girard  
Michael Gilmore  
John Ogden  
Jim Wiersma  
Amy Deford

Phil LaJoy, Absent  
Lori Newberg, Absent

**MERS STAFF PRESENT**

Chris DeRose, Chief Executive Officer  
Pam Steffy, Board Secretary  
Deb Peake, Chief Employee & Retiree Services Officer  
Jeb Burns, Chief Investments Officer  
Leon Hank, Chief Financial Officer  
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Jennifer Mausolf, Marketing & Product Development Director  
Ryan Ruby, Actuarial Analyst

**OTHERS PRESENT**

Jim Koss, Senior Actuary, CBIZ  
Alan Sonnanstine, Senior Actuary, CBIZ

**Chief Executive Officer (CEO) mid-year self-evaluation and discussion**

The Board and Mr. DeRose discussed how MERS and Mr. DeRose have performed so far this year based on the strategic plan, business plan and balanced scorecard.

**CALL TO ORDER**

Chairperson Michael Brown called the meeting of the MERS Retirement Board to order at 9:25 a.m. on Thursday, July 16, 2015.

**Retreat Agenda for Thursday, July 16, 2015**

Mr. DeRose, CEO, presented the Retreat Agenda on:

- Recap of previous day
- Experience Study – Discussion, Decisions and Outreach approach
- Global Themes from the MERS Asset Allocation

**Experience Study – Discussion, Decisions and Outreach approach**

Mr. Sonnanstine and Mr. Koss, senior actuaries from CBIZ, presented the MERS 2009-2013 Experience Study. Upon consideration of the July 6, 2015 Memorandum of Mr. Hank, Chief Financial Officer, concurred by Mr. DeRose, Chief Executive Officer, Mr. Wiersma moved to accept the recommendations as follows, effective with the December 31, 2015 valuation:

- Adopt all economic and non-economic assumption changes recommended by the actuary, including

- Adopt an updated mortality assumption based on the RP 2014 mortality tables;
- Adopt a 7.75% net rate of annual investment return assumption, reflecting a 0.25% administrative expense assumption; and
- Decrease the annual wage inflation assumption to 3.75%
- Adopt a five-year asset smoothing model;
- Phase out the current Option A and Option B amortization schedules for closed divisions, as the amortization period for open divisions decreases in future years; and
- Phase in the layered amortization schedule for future changes in unfunded accrued liabilities. Open and closed-linked divisions would be first affected in the December 31, 2024, valuation. Closed-not-linked divisions would be affected sooner, depending on their current amortization period.
- Phase in the impact of the changes in actuarial assumptions over five years beginning with the December 31, 2015 actuarial valuation.

Motion supported by Mr. Girard. Motion carried.

### **Experience Study – Discussion, Decisions and Outreach approach**

Ms. Boertman, Employer Services Director, presented the Experience Study Outreach and customer communications process.

### **Global Themes from the MERS Asset Allocation**

Mr. Burn, Chief Investment Officer, presented information on Global Themes from the MERS Asset Allocation.

### **Annual Conference Preview**

Ms. Lombardo, Chief Marketing & Employer Services Officer, provided an update on the Annual Meeting Conference

### **Closed Session**

Mr. Girard moved to go to closed session under Section 8H of the Open Meetings Act at 11:30 a.m.; supported by Mr. Gilmore. Motion carried.

### **Roll Call:**

Mr. Brown: Yes  
 Ms. Dreves: Yes  
 Ms. Deford: Yes  
 Mr. Ogden: Yes  
 Mr. Wiersma: Yes  
 Ms. Newberg: Absent  
 Mr. LaJoy: Absent  
 Mr. Gilmore: Yes

The Board moved back into open session at 11:48 a.m.

**Retreat Overview**

Mr. DeRose, CEO, reviewed the two day retreat and requested feedback on the meeting location and facilities.

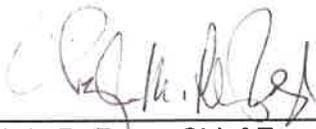
Meeting adjourned at 11:48 a.m.

Respectfully submitted,



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Michael Brown, Chairperson



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Chris DeRose, Chief Executive Officer