

**MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF MICHIGAN
BOARD MEETING MINUTES
Lansing Home Office
November 12, 2015**

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**Lansing Home Office
November 12, 2015**

BOARD MEMBERS PRESENT

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

MERS STAFF PRESENT

Chris DeRose, Chief Executive Officer
Pam Steffy, Board Secretary
Carrie Lombardo, Chief Marketing & Employer Services Officer
Deb Peake, Chief Employee & Retiree Services Officer
Jeb Burns, Chief Investments Officer
Leon Hank, Chief Financial Officer
Betsy Waldofsky, Finance Director
Pat Tarini, General Counsel
Kristin Bellar, Senior Deputy General Counsel
Kim Rhead, Government Affairs Director
Ryan Ruby, Actuarial Analyst
Carri Simon, Internal Auditor
Claudia Konieczny, Investment Compliance & Operations Analyst
Mike Schrauben, Investment Officer & Portfolio Manager

Call to Order

Chairperson, Michael Brown called the meeting of the MERS Retirement Board to order at 8:03 a.m. on Thursday, November 12, 2015.

Public Audience

No members of the public were present.

Old Business

Chief Executive Officer (CEO) 2015 performance evaluation and compensation

Denise Boucke', Human Resources Director, met with the Board to complete a review of the CEO's Year End Performance through a formal evaluation process. Based on his performance and a comparison of his current compensation to similar positions in similar industries and with the continued goal of adjusting his salary to 115% Full Market Value comp to compa ratio;

Mr. Ogden moved effective January 1, 2016 to adjust the CEO's salary by a 4% merit increase and a 12% lump sum bonus to be awarded year end 2015 based on performance putting his salary at 112% Full Market Value comp to compa ratio.

Motion supported by Mr. Wiersma. Motion carried.

General Consent Agenda

Mr. LaJoy moved to approve the November 12, 2015 General Consent Agenda; supported by Mr. Girard. Motion carried.

New Business

CEO Report

Mr. DeRose presented the CEO Report on:

- MERS Strategic Direction: 2015 Balanced Score Card and 2015 Business Plan
- Internal Control Evaluation (ICE)
- Public Policy Activities
- Outreach to Customers and Key Stakeholders
- Finance Activities
- Investments
- Employee Communication
- New Board website
- 2016 Board Meeting Calendar
 - Mr. Gilmore moved to approve the 2016 Board Meeting Calendar as amended, to meet on the third Thursday of every other month starting at 9:00 a.m. Motion supported by Ms. Dreves. Motion carried.

Election Certification

Mr. Ogden made a motion to certify the election of the 69th Annual Business Meeting on October 9, 2015, electing Dale Feldpausch as an Officer Member and Jason Sarata as an Employee Member, to a three-year term on the Board, commencing January 1, 2016; supported by Ms. Dreves. Motion carried.

Resolution of appreciation for retiring Board Members

Mr. Brown proposed resolutions regarding Mr. LaJoy, Officer Member, and Ms. Newberg, Employee Member, commending their service to the MERS Retirement Board. Resolution adopted by acclamation.

Retiree Board position

Mr. Brown presented information on the Retiree Board position, advising that the term of Mr. Ogden, Retiree Board Member, expires on December 31, 2015. Mr. Ogden then recused himself from the Board discussion. Mr. Girard made a motion to direct MERS staff to review and advise the Board on the need or advisability of adding guidelines to the Board Governance Policy regarding its appointment of the Retiree member and the Investment Board members; supported by Ms. Dreves. Motion carried.

Mr. Girard made a motion to re-appoint Mr. Ogden, Retiree Board Member, to a three year term; supported by Ms. Dreves. Motion carried.

Actuarial Audit

Mr. Hank, Chief Finance Officer, and Mr. Ruby, Actuarial Analyst, presented the Actuarial Audit Report of the Municipal Employees' Retirement System as prepared by Cheiron, Financial Analysis and Actuarial Consulting firm. Mr. Hank advised the Board that the overall outcome was positive, that

MERS has a few questions to pose to CBIZ, and that the next actuarial audit will take place in five years.

2016 Budget

Mr. Hank, Chief Financial Officer, and Ms. Waldofsky, Finance Director, discussed the November 12, 2015 Memorandum to Mr. DeRose, CEO, regarding the 2016 Budget. Mr. Hank advised that costs are down approximately 30% since Mr. DeRose's leadership began, and are at 2011 levels, with costs as a percentage of assets at 2000 levels, providing the desired economies of scale. Mr. Hank then reviewed the Budget in detail.

Upon recommendation of the Budget Committee at its October 2015 meeting, Mr. LaJoy made a motion; supported by Mr. Ogden to approve the 2016 Budget Resolution as follows:

- Total 2016 Budget Expenses \$45,307,514
- Capital Asset Expenses \$5,862,080

Motion carried.

Reporting and Contribution Enforcement Policy

Ms. Bellar, Senior Deputy General Counsel, discussed the October 29, 2015 Memorandum to Mr. DeRose, CEO, recommending revisions to the MERS' Enforcement Policy. She advised that the changes are largely to memorialize what has been MERS' practices. Mr. Girard made a motion to accept the recommended revisions to the Enforcement Policy; supported by Ms. Deford. Motion carried.

Investment Guidelines - Investment Policies Statements (Defined Benefit)
Investment Policies Statements (Participant Direct Accounts & Institutional Funds)

Mr. Burns, Chief Investment Officer (CIO), presented the annual review and some recommended revisions to the Investment Guidelines, Investments Policies Statements (DB), and Investment Policies Statements (Participant Direct Accounts & Institutional Funds). Mr. Wiersma made a motion to approve the recommended revisions to the Investment Guidelines, Investments Policies Statements (DB), and Investment Policies Statements (Participant Direct Accounts & Institutional Funds); supported by Mr. Gilmore. Motion carried.

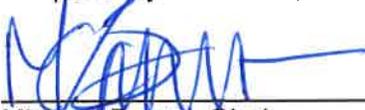
Investment Reports

Mr. Burns, Chief Investments Officer, presented the portfolio performance report for the period ending September 30, 2015 and the CIO Monthly Report Summary for the period ending August 31, 2015.

Adjournment

Meeting adjourned at 11:39 a.m.

Respectfully submitted,



Michael Brown, Chairperson



Chris DeRose, Chief Executive Officer