

MUNICIPAL EMPLOYEES' RETIREMENT BOARD

1997 Motions

JANUARY 21 AND 22, 1997

BOARD REORGANIZATION (21st) p. 2

Chairperson Seymore turned the floor over to Ms. Stevens who requested nominations for Chairperson. Mr. Seymore nominated Mr. Walker. After requesting further nominations and hearing none, Ms. Stevens recommended that nominations be closed. Mr. Stanton motioned for nominations to be closed, and a unanimous ballot be cast for Mr. Walker. Ms. Kohut supported the motion. The motion carried unanimously.

Chairperson Walker declared the floor open to nominations for Chairperson Pro Tem. Mr. Seymore nominated Mr. Ross. Mr. Stanton motioned nominations be closed, and a unanimous ballot be cast for Mr. Ross. Mr. Klosowski supported the motion. The motion carried unanimously.

PROJECTED BUDGET FOR FISCAL YEAR 1997 (21st) p. 3

Mr. Seymore moved that the 1997 Budget proposed by Ms. Stevens be approved. Mr. Ross supported. Motion carried unanimously.

Mr. Himick motioned that the Budget Committee include Ms. Kohut, Mr. Himick and Chairperson Walker. Mr. Stanton supported the motion. The motion carried unanimously.

PURCHASING/DISPOSITION POLICY (21st) p. 3

Mr. Seymore motioned that the Purchasing/Disposal Policy and the Contract Review and approval Policy be approved as amended. Ms. Kohut supported the motion. The motion carried unanimously.

RECOMMENDED PROCEDURES FOR FORMAL REQUEST TO MERS REGARDING CHANGES TO THE PLAN DOCUMENT (21st) p. 5

Mr. Seymore made a motion to approved Ms. Stevens recommended procedures for review of formal requests from MERS municipalities regarding changes to MERS Plan Document, as amended. Mr. Ross supported the motion. The motion carried unanimously.

ROGER SPENCER - DUTY DISABILITY (21st) p. 5

Mr. Seymore motioned to approve the finding of facts which are set forth in the Summary of the Evidence in the matter of Roger Spencer, Petitioner, vs. MERS, Respondent, in the Proposal For Decision provided by Ms. Elizabeth R. Schwartz, Administrative Law Judge. Ms. Kohut supported the motion. The motion carried unanimously.

Ms. Kohut motioned to accept the hearing officer's Conclusion of Law and Proposed Decision in the matter of Roger Spencer, Petitioner, vs. MERS, Respondent. The motion was supported by Mr. Klosowski. The motion carried unanimously.

1998 ANNUAL MEETING PROPOSAL (21st) p. 6

Mr. Klosowski motioned that we hold the 1998 Annual Meeting at Shanty Creek on September 22 and 23. Mr. Ross supported the motion. The motion carried unanimously.

FEBRUARY MEETING (21st) p. 7

Mr. Birgbauer moved that the February and March Board meeting be combined and held on March 11 and 12. Mr. Seymore supported the motion. The motion carried unanimously.

LETTER OF RESIGNATION FROM OFFICER BOARD MEMBER (21st) p. 9

Chairperson Walker read a letter from Mr. Seymore, dated January 14, 1997, in which Mr. Seymore submitted his resignation as Officer Member of the MERS Board, effective July 1, 1997.

Ms. Kohut moved to accept Mr. Seymore's resignation with mixed feelings, and also congratulated him on his upcoming retirement. Mr. Ross supported the motion. The motion carried unanimously.

CUSTODIAL BANK PRESENTATIONS (22nd) p. 9-10

After overview presentations by Mellon Trust, Bankers Trust and Northern Trust, and following discussion, Mr. Seymore motioned to select Northern Trust as the custodial bank and directed staff to negotiate a fee based on board direction. Mr. Himick supported the motion. The motion carried unanimously.

THERE WAS NO FEBRUARY 1997 MEETING

MARCH 11 & 12, 1997

PEOPLESOFT - DATA SYSTEM SOLUTION (12th) p. 3

Mr. Seymore motioned that the MERS Board approve the software license and service agreement with PeopleSoft dated November 26, 1996. Ms. Kohut supported the motion. The motion carried unanimously.

IBM/ISSC - IMPLEMENTATION PARTNER (12th) p. 4

Mr. Himick motioned to approve Phase III - Development and Implementation with ISSC, with authorized cost for development and implementation not to exceed \$1,200,000, and additional hardware and software not to exceed \$350,000. Additionally, if Legal Counsel deems necessary, wording may be added which provides for a performance bond or penalty should IBM/ISSC not meet certain parameters or conditions outlined in the contract. Ms. Kohut supported the motion. The motion carried unanimously.

CUSTODIAL AGREEMENT (12th) p. 4

Mr. Himick motioned to approve the Master Custody Agreement between MERS and The Northern Trust Company as presented by staff. The motion was supported by Mr. Birgbauer and passed unanimously.

Mr. Seymore motioned to approve "Appendix B" to the Master Custody Agreement. "Appendix B" provides authorization for Ms. Dorothy A. Stevens, Ms. Anne M. Wagner, Mr. Jamison Smythe, and Mr. Matthew Blonshine to direct The Northern Trust Company with respect to actions identified in Sections: two (2), three (3), four (4), five (5), eight (8), fourteen (14) upon entry of a securities lending agreement, and sixteen (16). Mr. Stanton supported the motion. The motion carried

SECURITIES LENDING (12th) p. 4-5

Mr. Seymore motioned to approve the Securities Lending Agreement with The Northern Trust Company subject to Executive Director's final approval of the Document and that the appropriate officer sign. Mr. Ross supported the motion. The motion carried unanimously.

Mr. Seymore moved to adopt as policy Schedule B of the Securities Lending Agreement, **PART I** - Core Qualified Collateral Section; and **PART II** - the Global Core Collateral Section. Mr. Ross supported the motion. The motion carried unanimously.

ENGAGEMENT LETTER WITH MILLER, CANFIELD, PADDOCK & STONE (12th) p. 5

Mr. Seymore motioned to approve the Standard Terms of Engagement with Miller, Canfield, Paddock & Stone. The motion was supported by Mr. Himick. The motion carried. Mr. Birgbauer abstained.

SOCIAL SECURITY REFERENDUM - OPENING AND TALLYING OF BALLOTS (12th) p. 5

Mr. Seymore moved that the 24-4 vote in favor of Social Security coverage for MERS' staff be certified and the results thereof be sent to the Governor's office. The motion was supported by Mr. Birgbauer. The motion carried unanimously.

SPECIAL RETIREMENT ASSUMPTIONS—NON-STANDARD BENEFITS (12th) p. 6

Mr. Seymore motioned to approve the Segal Company's recommended valuation method for those municipalities and courts that adopt any non-standard benefit. Mr. Stanton supported the motion. The motion carried unanimously.

SUGGESTED FISCAL YEARS CHANGE (12th) p. 7

Mr. Himick moved to approve Ms. Stevens recommendation that MERS move from an October 1 - September 30 fiscal year to a January 1 to December 31 fiscal year, and that this change become effective on January 1, 1998. As noted, this change will result in a one time 15 month fiscal year (October 1, 1996 through December 31, 1997.) Mr. Seymore supported the motion. The motion carried unanimously

INVESTMENT GUIDELINES REVIEW (12th) p. 7

Ms. Wagner reviewed her recommended investment guidelines revisions stating that the investment managers were solicited for their suggestions and/or recommendations for changes during the process. Requests for change were submitted by Loomis Sayles, who asked to make a change in the amount of \$250,000 in losses. This has been reflected in the changes being presented; and ARM, who requested "BBB" securities at 15% from the current 10% and 2% in private placements. Currently the guidelines do not restrict private placements for bonds, and Ms. Wagner felt this should be addressed. The move to 15% in "BBB" seems out of line with the benchmark, and thus was not changed in the current document. Ms. Wagner and the Board then went through the Investment Guidelines agreeing upon suggested changes.

Mr. Himick motioned to approve the recommended investment guidelines as amended. Mr. Birgbauer supported the motion. The motion carried unanimously.

CREDIT CARD POLICY (12th) p. 7

Mr. Seymore moved that the credit card policy be approved as amended. Ms. Kohut supported the motion. The motion carried unanimously.

EDUCATIONAL REIMBURSEMENT GUIDELINES (12th) p. 8

Mr. Ross motioned to approve the Education Reimbursement guidelines as amended. The motion was supported by Mr. Seymore. The motion carried unanimously.

1999 MERS ANNUAL MEETING SITE PROPOSAL (12th) p. 9

After discussing the meeting site options, Mr. Seymore moved to select the Hyatt Regency in Dearborn as the site of the 1999 annual meeting. Mr. Himick supported the motion. The motion carried unanimously.

REPORT FROM SELECTION COMMITTEE (12th) p. 9

Mr. Birgbauer moved to invite the candidates recommended by the selection committee to interview at the April Board meeting, and reimburse the candidates for travel and lodging expenses. Mr. Stanton supported the motion. The motion carried unanimously.

LETTER OF RESIGNATION (12th) p. 10

Mr. Ross motioned that the Board formally accept Ms. Stevens letter of resignation with regrets. Mr. Seymore supported the motion. The motion carried unanimously.

PREFERRED MEDICAL ASSOCIATES (PMA) - SIX MONTH MEDICAL REVIEW (12th) p. 10

Mr. Ross motioned that staff establish procedure which states that post medical reviews be done no sooner than one year after initial recommendation, unless there is extenuating circumstances. The motion was supported by Mr. Himick. The motion carried unanimously.

ELECTRONIC FUND TRANSFER (EFT) (12th) p. 11

Mr. Seymore motioned that all new retirees as of July 1, 1997 will have their pension benefit payments processed via EFT. Also, anyone who is currently in the system or retires prior to July 1, 1997 can continue with their benefit payment of choice. The motion was supported by Mr. Himick. The motion carried unanimously.

RESOLUTION OF MUNICIPAL EMPLOYEES' RETIREMENT BOARD (12th) p. 12

After having moved into Closed Session to consider confidential, proprietary and investment information relating to investment of MERS' assets, the Board returned to Open Session. Ms. Kohut motioned that staff continue the process of the proposed initial price offering. The motion was supported by Mr. Stanton. The motion carried unanimously.

Mr. Himick motioned the appropriate proportionate sharing by MERS in the cost of engaging an outside consultant for the investor group be authorized. The motion was supported by Mr. Ross. Mr. Birgbauer opposed the motion. The motion carried.

Mr. Stanton motioned that the negotiation and acquisition of additional shares from investors within the group who are required to sell is approved subject to the requirements of the Public Employee Retirement System Investment Act. Mr. Seymore supported the motion. The motion carried unanimously.

REGARDING MS. DOROTHY STEVENS - MAKE WHOLE FOR DELAY IN RECEIVING RETIREMENT BENEFITS (12th) p. 12

After having moved into Closed Session to discuss a personnel matter, the Board returned to Open Session. Mr. Seymore moved that on behalf of Ms. Dorothy Stevens, 17 months of generic service credit be purchased at a cost of \$5,769 and the amount of \$9,977 be paid to Ms. Stevens in one lump sum as a pay-off bonus at termination. Ms. Kohut supported the motion. The motion carried unanimously.

APRIL 22 & 23, 1997

INTERVIEW OF CANDIDATES FOR EXECUTIVE DIRECTOR (22nd) p. 1

The Board interviewed two finalists for the position of MERS Executive Director: Mr. Jac Averell and Mr. Gordon Lindsay. Following the interviews, Mr. Ross motioned that Chairperson Walker offer the Executive Director position to Mr. Lindsay; further, that Mr. Lindsay's employment contract be similar in content as that of the current Executive Director, and that a beginning salary be offered not to exceed \$85,000. Mr. Seymore supported the motion. The motion carried unanimously.

SUGGESTED PROCEDURES - INITIAL AND SUPPLEMENTAL VALUATION REQUESTS

(23rd) p. 7

Mr. Seymore motioned to approve the suggested procedures for initial and supplemental valuation requests as amended. Mr. Himick supported the motion. The motion carried unanimously.

ICMA-RC (23rd) p. 7

Mr. Seymore motioned that the Board approve the Alliance Agreement contingent upon the receipt of, and to take effect on the approval date of, the IRS Letter of Favorable Determination. Mr. Ross supported the motion. The motion carried unanimously.

IBM/ISSC CONTRACT (PHASE III) (23rd) p. 8

Ms. Kohut motioned for the Chairperson and Executive Director to sign the contract with IBM/ISSC. Mr. Seymore supported the motion. The motion carried unanimously.

HYATT REGENCY CONTACT (23rd) p. 8

Mr. Seymore motioned that the Executive Director sign the contract subject to Mr. Moquin's final review. Mr. Ross supported the motion. The motion carried unanimously.

DARLENE OGINSKI'S - POST RETIREMENT REVIEW (23rd) p. 9

Based upon Ms. Stevens' recommendation, Mr. Himick motioned to approve the continuation of Ms. Oginski's disability benefits with no future exam required. Mr. Ross supported the motion. The motion carried unanimously.

MS. JEAN PESONEN - PROPOSAL FOR DECISION (23rd) p. 9

Mr. Klosowski motioned to approve the finding of facts which are set forth in the Summary of the Evidence in the matter of Jean Pesonen, Petitioner, v MERS, Respondent, in the Proposal For Decision provided by Ms. Elizabeth R. Schwartz, Administrative Law Judge. Mr. Seymore supported the motion. The motion carried unanimously.

Mr. Klosowski motioned to accept the hearing officer's Conclusion of Law and Proposed Decision in the matter of Jean Pesonen, Petitioner, v MERS, Respondent. The motion was supported by Ms. Kohut. The motion carried unanimously.

INTEREST RATE FOR BENEFIT PROGRAM DC CONVERSION (23rd) p. 10

Ms. Kohut motioned that the rate of 7.35% be in effect for the period of July 1, 1997 through December 31, 1997. Mr. Seymore supported the motion. The motion carried unanimously.

EXPERIENCE ANALYSIS SERVICES/FEE ESTIMATE (23rd) p. 10

Mr. Seymore moved the appropriate officials be authorized to enter into an agreement with Segal Company to do an experience study for the period of December 31, 1992 to December 31, 1996, further, that the fees for the study not exceed \$36,000. Mr. Ross supported the motion. The motion carried unanimously.

SUGGESTED POLICY FOR PURCHASE OF NON-INTERVENING MILITARY SERVICE CREDIT (23rd) p. 10-11

Mr. Himick motioned that Option III as presented be adopted to include the V-6 and V-8 vesting periods. Option III provides the following:

Through administrative interpretation (following Board approval) advise the employers and employees that:

- ▶ The Plan Section 6 (5) cutoff date does not apply to blanket resolutions first adopted before June 30, 1997 for employees first hired by the employer by that date, for qualifying service rendered before that date; and/or
- ▶ Where a blanket resolution is not in effect, employees first hired before June 30, 1997, may at the option of the employer, purchase non-intervening military service credit rendered before that date; and/or
- ▶ Non-intervening military service may not be acquired until the member has rendered ten years service (the Board may modify this to correspond with the years of service required to vest under the municipality's plan (V-6 or V-8)

Mr. Birgbauer supported the motion. The motion passed with opposition from Mr. Seymore

BLUE CROSS/BLUE SHIELD - RETIREE QUARTERLY BILLING (23rd) p. 11

Mr. Himick motioned to forgive any Blue Cross/Blue Shield retiree quarterly billing in the amount of \$5 or less. Mr. Ross supported the motion. The motion carried unanimously

FEE SCHEDULE DB/DC CONVERSION (23rd) p. 12

Mr. Seymore motioned to approve the following fee schedule:

50 employees and under	\$150
50 to 150 employees	200
150 to 350 employees	350
Over 350 employees	500

Ms. Kohut supported the motion. The motion carried unanimously.

SOCIAL SECURITY COVERAGE AGREEMENT (23rd) p. 12

Mr. Seymore motioned that the Chairperson sign the Social Security Plan and Agreement as recommended by Mr. Moquin. Mr. Himick supported the motion. The motion carried unanimously.

EXCESS INCOME EARNINGS (23rd) p. 13

Mr. Seymore motioned that the amount of \$104.9 million be allocated to the Reserve for Employer Contribution Account in the 1996 Annual Actuarial Valuation. The motion was supported by Mr. Himick. The motion carried unanimously.

AEW6, LaSALLE II, AND METRIC (23rd) p. 13

Ms. Wagner ask for direction from the Board on having Sally Haskins sell these properties. Mr. Seymore approved staff pursuing the idea of selling the outlined properties with results to be determined by IPC, and to come back to the Board for approval or disapproval of the sale. The motion was supported by Mr. Birgbauer. The motion carried unanimously.

INVESTMENT CONSULTANT—ALLOCATION STUDY (23rd) p. 14

In response to a letter received from the Brice group, staff recommended that the three-year rotation study currently in place be completed before engaging another full allocation study; and that possible alternatives be explored to alternative benchmarks to the Morgan Stanley EAFE index now used for both the active and passive managers. Mr. Himick motioned to approve the recommendations as outlined by staff. Ms. Kohut supported the motion. The motion carried unanimously.

MAY 20 & 21, 1997

REVIEW OF REQUESTED CHANGES TO MERS PLAN DOCUMENT (20th) p. 2-4

1. BENEFIT PROGRAM E--SECTION 20(4) (20th) p. 2-4

Mr. Stanton motioned to approve Ms. Stevens' recommended changes to the Plan Document that would allow the flexibility that could put employers in a better position to grant some type of cost of living increase to their retirees. Mr. Himick supported the motion. The motion carried unanimously

2. PARTIAL SERVICE CREDIT--SECTION 4(6) (20th) p. 3

Ms. Stevens went on to say that a request was received from the City of East Lansing asking the Board to review the process for crediting part-time employees service credit.

Mr. Seymore motioned to approve staff's recommendation to add an option that would allow members and municipalities the opportunity to equitably handle situations relating to part-time employees, and the crediting of service credit. Mr. Ross supported the motion. The motion carried with opposition from Ms. Kohut.

3. DEFERRED RETIREES--COLA (20th) p. 3-4

Ms. Stevens also referred to a request received from Livingston County Veterans Affairs asking the Board to amend the Plan Document to allow that cost-of-living adjustments be applied to benefits that are in deferred status.

Mr. Seymore motioned to support staff's recommendation and denied Livingston County Veterans Affairs request. Ms. Kohut supported the motion. The motion carried unanimously.

VENDOR FOR PROCESSING MONTHLY PENSION/REFUND CHECKS (20th) p. 5

Mr. Himick motioned to sole source the processing of monthly pension/refund checks to Northern Trust with the Benefit Disbursement Fee also being netted against the income generated from the Securities Lending Program, rather than going through an RFP process for this service. Ms. Kohut supported the motion. The motion carried unanimously.

INTERVIEW OF OFFICER BOARD MEMBER CANDIDATES (21st p. 5)

The Board interviewed six candidates. Afterwards, Mr. Seymore motioned that the Board appoint Mr. Fred Todd, Controller/Chief Administrative Officer, County of Saginaw to fill the unexpired portion of Mr. Seymore's Officer term effective July 1, 1997 through December 31, 1997 as he was the candidate of choice as indicated in the secret ballot. Mr. Himick supported the motion. The motion carried unanimously

ADMINISTRATIVE EXPENSES/SUPPLEMENTAL BUDGET PROPOSAL FOR 3 MONTHS - (10/1 THROUGH 12/31/97) (21st) p. 7

Mr. Seymore motioned that the Administrative Budget as of 5/6/97 for the period of October 1, 1997 through December 31, 1997 be deferred to the June board meeting. Mr. Himick supported the motion. The motion carried unanimously.

Mr. Seymore motioned that the projected Operating Expense Budget as of 5/6/97 for the period of October 1, 1997 through December 31, 1997 be deferred to the June board meeting. Ms. Kohut supported the motion. The motion carried unanimously.

CLOSED SESSION (20th) p. 8

Upon motion made and duly passed, the Board recessed into Closed Session for a briefing by Legal Counsel on pending litigation which, if discussed in Open Session, would have detrimental financial effect on the litigation or settlement position of MERS.

RESIGNATION OF RETIREE BOARD MEMBER - DERALD STANTON (21st) p. 8

Mr. Ross motioned to receive Mr. Stanton's letter of resignation effective July 1, 1997. Ms. Kohut supported the motion. The motion carried unanimously.

JUNE 26 & 27, 1997

REVIEW RFP - ACTUARIAL CONSULTING SERVICES (27th) p. 2

Mr. Seymore made a motion to approve the actuarial consulting services draft with the discussed and agreed changes. Mr. Klosowski supported the motion. The motion carried unanimously.

KENNETH SOHN - NON-DUTY DISABILITY REVIEW (27th) p. 3

Mr. Seymore motioned to approve Mr. Kenneth Sohn's application for non-duty disability. Mr. Ross supported the motion. The motion carried unanimously.

REQUEST FOR GRANTING OF PRIOR MERS SERVICE CREDIT FOR SHIRLEY ROE, MERS EMPLOYEE (27th) p. 4

Mr. Stanton motioned that MERS purchase - at no cost to Ms. Roe, 17 months of service credit for which she worked for MERS, thus adding that time to her credit at the new MERS. Mr. Himick supported the motion. The motion carried unanimously.

PROPOSAL FOR DECISION FOR RONALD SPECKIN (27th) p. 4

Mr. Ross motioned to approve the finding of facts which are set forth in the Summary of the Evidence in the matter of Ronald Speckin, Petitioner, v MERS, Respondent, in the Proposal For Decision provided by Ms. Elizabeth R. Schwartz, Administrative Law Judge. Mr. Seymore supported the motion. The motion carried unanimously.

Ms. Kohut motioned to accept the hearing officer's Conclusion of Law and Proposed Decision in the matter of Ronald Speckin, Petitioner, v MERS, Respondent. The motion was supported by Mr. Himick. The motion carried unanimously.

NORTHERN TRUST (27th) p. 5

Mr. Himick motioned to authorize Chairperson Walker to sign the letter of authorization as prepared by legal counsel to effectuate this service. Ms. Kohut supported the motion. The motion carried unanimously.

MERS' SECOND VEHICLE - CAR LEASE INFORMATION (27th) p. 5

Mr. Himick motioned to lease the 1997 Oldsmobile Cutlass Supreme Series I. The motion was supported by Ms. Kohut. The motion carried unanimously.

CELLULAR PHONE LEASING (27th) p. 5

Ms. Kohut motioned that MERS secure two phones that worked the best. Mr. Seymore supported the motion. The motion carried unanimously.

MERS REPORTING REQUIREMENTS—CHANGE TO MONTHLY REPORTING (27th) p. 6

Ms. Stevens stated that in late May, a memo went out to all municipalities and courts asking that a survey form be completed and returned to MERS. This survey was used to determine the technology capabilities available at our member municipalities, and to assist in improving the functionality of our reporting process. The majority of the surveys have been received, and the responses indicate that 77% of the responding municipalities can provide wage and contribution information on a monthly basis.

Based upon that information, Ms. Stevens recommended that MERS move away from paper "Quarterly Summary and Detail Wage Reports" to electronically submitted "Monthly Wage and Actual Contributions Reports," and that this process become effective with the filing of the municipalities October 1997 report - due by November 20, 1997.

Mr. Seymore motioned that a letter be sent to the municipalities informing them of the results of the survey and that MERS will move away from paper "Quarterly Summary and Detail Wage Reports" to electronically submitted "Monthly Wage and Actual Contributions Reports," effective October 1997. Ms. Kohut supported the motion. The motion carried unanimously.

RETIREE BOARD MEMBER (27th) p. 6

Mr. Ross motioned that Bruce Seymore replace Mr. Stanton as retiree member of the Board, effective July 1 1997, to complete Mr. Stanton's term. Mr. Himick supported the motion. The motion carried unanimously.

MR. BRIAN HIMICK, EMPLOYEE BOARD MEMBER RESIGNATION (27th) p. 6

Mr. Seymore motioned to accept Mr. Himick's resignation effective June 29, 1997, with regrets. Mr. Ross supported the motion. The motion carried unanimously.

JULY 29 & 30, 1997

RECIPROCAL RETIREMENT ACT-SENATE BILL 73 AMENDMENT TO 1961 PA 88 (29th) p 3
Ms. Stevens referred to her memo to the Board dated July 21 stating that a copy of Senate Bill No. 73 would delete the minimum retirement age of 60 for Act 88 retirees. This amendment would allow members choosing to invoke the provisions of Act 88 to do so at the earliest eligible age rather than having to wait until age 60. Act 88 allows a person employed by a governmental unit in Michigan to use service credit in another governmental unit to meet the vesting requirements. MERS currently has 209 municipalities which have adopted Act 88.

After discussion and review of the Analysis of Senate Bill 73, Mr. Todd motioned that staff draft language that would reflect a possible fiscal impact to local units of government if employees choose to retire at the earlier age. Additionally, this language should be presented to Senator Ciskey requesting that the amendment be included in Senate Bill 73. Following this action the MERS Board will go on record in support of Senate Bill 73. Mr. Seymore supported the motion

Upon advise from Legal Counsel, Mr. Todd withdrew his motion and asked that this be tabled until the August Board meeting at which time the Board will review the drafted language.

POLICY REGARDING THE PURCHASE OF SERVICE CREDIT FOR MERS' EMPLOYEES (29th) p. 3-4

Mr. Seymore motioned that MERS, as a participating municipality, hereby adopts the following policy under Plan Sections 6 and 7: MERS employees can purchase additional service credit, regardless of the type of service, at no cost to the employer upon the employee meeting the vesting requirement. Mr. Todd supported the motion. The motion carried unanimously.

INVESTMENTS (30th) p. 5

Mr. Seymore motioned to approve IPC's recommendation subject to review by Legal Counsel. Ms. Kohut supported the motion. The motion carried unanimously.

Mr. Ross motioned to approve the investment report as submitted. Ms. Kohut supported the motion. The motion carried unanimously.

INTERVIEW OF PROSPECTIVE EMPLOYEE BOARD MEMBER CANDIDATES (30th) p. 5-6
The Board interviewed four candidates for the Employee Board position created by Mr. Himick's resignation. After discussion the Board appointed Ms. Kristin Wade to serve on the Board as the Employee Board Member effective August 1, 1997 through Dec. 31, 1997. Mr. Klosowski supported the motion. The motion carried unanimously.

REVIEW RFP - ACTUARIAL CONSULTING SERVICES (30th) p. 6

Ms. Stevens went through a page by page review of the Request For Proposal for Actuarial Consulting Services. After discussion, Mr. Seymore motioned that the staff make the changes as discussed and proceed with mailing the RFP according to the time schedule presented. Mr. Todd supported the motion. The motion carried unanimously.

REVIEW RFP - INVESTMENT CONSULTING SERVICES (30th) p. 6

Ms. Wagner went through a page by page review of the Request for Proposal for Investing Consulting Services. After discussion, Ms. Kohut motioned that the staff make the changes as discussed and proceed with mailing the RFP according to the time schedule presented. Mr. Ross supported the motion. The motion carried unanimously.

APPOINTMENT OF RETIREE BOARD MEMBER (30th) p. 7

Mr. Ross motioned that Mr. Seymore be appointed by the Board for selection by the annual meeting delegates for the retiree board member for a three-year term (calendar years 1998 through 2000). Mr. Klosowski supported the motion. The motion carried unanimously.

AUGUST 26 & 27, 1997

UNIFORM RESOLUTION FOR THE PURCHASE OF SERVICE CREDIT (27th) p. 5

Ms. Stevens referred to her memo to the Board dated August 14. She went on to state that this resolution is before the Board based upon Board action in July which allows employees of MERS to purchase either governmental or generic service credit (Plan Sections 6 and 7) at no cost to the system.

Mr. Seymore moved that the policy be adopted with the agreed upon changes. Mr. Todd supported the motion. The motion carried unanimously.

BOARD MEMBER NOMINATIONS AND SELECTION PROCEDURE AS APPROVED BY THE DELEGATES AT THE 1997 ANNUAL MEETING (SEPTEMBER 24, 1997) (27th) p. 5

Mr. Seymore motioned to approve the selection procedures as presented by Legal Counsel. Ms. Kohut supported the motion. The motion carried unanimously.

ASSET ALLOCATION REBALANCE (27th) p. 6

Mr. Todd moved that the allocation target be moved from 5% in cash to 2.5% in cash and that Domestic equities be increased from 34% to 36.5%. Mr. Seymore supported the motion. The motion carried unanimously.

BENEFICIARY REQUEST FOR REVIEW - VIOLET COSAND (27th) p. 6-7

Mr. Todd moved that staff draft a letter for the Chairperson's signature which offers Ms. Cosand the opportunity to appear before an Administrative Hearing Officer in Lupton, Michigan for the purpose of such hearing. Ms. Kohut supported the motion. The motion carried unanimously.

RANDY LINGENFELTER - DUTY DISABILITY APPLICATION (27th) p. 7

Mr. Klosowski motioned to approve staff's recommendation to grant duty disability retirement with a re-exam in two years. Mr. Ross supported the motion. The motion carried unanimously.

AMENDMENT TO SENATE BILL 73 (ACT 88) (27th) p. 7

Ms. Stevens referred to her memo to the Board dated August 14, 1997 stating that the memorandum from Mr. Moquin provides suggested language for Senate Bill 73 which defines "credited service in force."

It is recommended that the suggested language be approved and that staff be directed to forward the proposed language to Senator Ciskey requesting this change be incorporated into Senate Bill 73, and further that with such amendment the MERS Board would then support the changes to the Reciprocal Retirement Act.

Ms. Kohut motioned to forward the proposed language to Senator Ciskey requesting this change be incorporated into Senate Bill 73, and that with such amendment, the MERS Board supports the changes to the Reciprocal Retirement Act. Mr. Seymore supported the motion. The motion carried unanimously.

FINANCIAL REPORTS (27th) p. 8

Mr. Todd moved to approve the additional 1997 Budget Requirements as proposed by the Executive Director as amended as necessary for depreciation and expenses. Ms. Kohut supported the motion. The motion carried unanimously.

Mr. Ross motioned to approve the contractual agreements between MERS and Larry Dorsey of L & N Enterprises, Inc. and between MERS and GRS. Mr. Birgbauer supported the motion. The motion carried unanimously.

Mr. Seymore motioned to adopt GASB statements number 25 & 27 of the Governmental Accounting Standards Board effective for fiscal year ending December 31, 1997. Ms. Kohut supported the motion. The motion carried unanimously.

ADDENDUM TO LEASE (27th) p. 9

Mr. Seymore motioned that the addendum to lease adding the training room space on a permanent basis be approved. The motion was supported by Mr. Klosowski. The motion carried unanimously.

CLOSED SESSION (27th) p. 10

Upon motion made and duly passed, the Board recessed into Closed Session to discuss pending litigation which, if discussed in Open Session, would have detrimental and financial effect on the litigation or settlement position of MERS.

EATON COUNTY (27th) p. 10

After return to Open Session, Mr. Todd motioned that the Board concur with the recommendation of legal counsel as discussed in closed session. The motion was supported by Mr. Ross. The motion carried unanimously.

SEPTEMBER 22 and 24, 1997

BOARD RESOLUTIONS (22nd) p. 2

Mr. Ross motioned to approve the Resolution honoring Mr. Derald W. Stanton with extreme gratitude for a job well done. Mr. Klosowski supported the motion. The motion carried unanimously.

Mr. Ross motioned to approve the Resolution honoring Mr. Brian J. Himick with extreme gratitude for a job well done. Mr. Seymore supported the motion. The motion carried unanimously.

Mr. Seymore motioned to approve the Resolution honoring Ms. Dorothy A. Stevens with extreme gratitude for a job well done. Mr. Ross supported the motion. The motion carried unanimously.

JOHN LINGENFELTER - PROPOSAL FOR DECISION (22nd) p. 3

After discussion, Mr. Seymore motioned to approve the Finding of Facts as set forth in the matter of, John Lingenfelter, Petitioner, v MERS, Respondent, in the Proposal For Decision provided by Ms. Elizabeth R. Schwartz, Administrative Law Judge dated August 6, 1997. Mr. Todd supported the motion. The motion carried unanimously.

Mr. Todd motioned to accept the Conclusions of Law and Proposed Decision and deny Petitioner's application for disability retirement benefits because he did not file his application until 42 months from the time he "ceased to be paid" by Centerline. The motion was supported by Mr. Seymore. The motion carried unanimously.

REQUEST FOR BOARD INTERPRETATION ON PLAN DOCUMENT FROM NEWAYGO COUNTY (22nd) p. 3-4

Mr. Moquin commented on the question raised by Newaygo County in their August 28, 1997 letter: whether employees employed as of the date the resolution approving the conversion option to the DC Plan, but who terminate their employment before the election window begins or closes, may elect to convert. Newaygo County is requesting that the MERS Board interpret the MERS Plan Document as allowing each participating municipality the option of deciding whether to require that an employee also be a current employee as of the date of the election process.

After review of Mr. Moquin's September 16, 1997 memorandum and discussion, the Board made the following Plan Document interpretation:

The conversion option under Section 19A(8) (B) which applies to all current employees (all active MERS members on the date the participating municipality's DC coverage becomes effective for new hires) also applies, at the discretion of the municipality in the DC enacting Resolution, to all such current employees who later separate from employment or retire before the formal conversion process under Section 19A(9) - (11) begins or ends, PROVIDED that such conversion shall not apply to a retirant drawing a MERS' retirement allowance from the municipality electing the DC Program.

Mr. Seymore motioned to adopt the policy recommended by Mr. Moquin as modified. Ms. Kohut supported the motion. The motion carried unanimously.

THOMAS ROOT - DUTY DISABILITY APPLICATION (22nd) p. 4

Mr. Todd motioned that Mr. Thomas Root's application for duty disability retirement, which was endorsed by the employer, be approved effective August 1, 1997. Mr. Klosowski supported the motion. The motion carried unanimously.

BARBARA HOLLINGSWORTH - DUTY DISABILITY APPLICATION (22nd) p. 4-5

Mr. Klosowski motioned that Barbara Hollingsworth's application for duty disability retirement, which was endorsed by the employer, be approved effective July 1, 1997. Mr. Todd supported the motion. The motion carried unanimously.

CERTIFICATION OF MERS' OFFICER & EMPLOYEE DELEGATES TO THE 1997 ANNUAL MEETING (22nd) p. 5

Mr. Seymore motioned that the Executive Director, Ms. Stevens, be appointed as the Officer Delegate to the MERS 1997 Annual Meeting, and that Mr. Lindsay be appointed as the alternate. Ms. Kohut supported the motion. The motion carried unanimously.

ANNUAL ASSET REBALANCE (22nd) p. 5-6

Mr. Lindsay reviewed asset class return assumptions and compared asset allocations to the new target asset allocations recommended by the Investment Committee:

Cash - reduce the target from 5.0% to 2.5 % and add the extra 2.5% to domestic equities.

Domestic Fixed Income - reduce the target from 36.0% to 33.0% and add the extra 3.0% to domestic equities. Fund the target with \$90 million on October 1, 1997, \$30 million to each of the three active managers.

Domestic Equities - increase the target from 39.0% to 44.5%. The 5.5% taken from cash and domestic fixed income be added to the large/mid cap category. Allocate \$200 million for the S&P 500 Index and \$75 million for the S&P Midcap. Target funding for the two indexes on January 1, 1998. This will result in the need to reduce the allocations to Loomis Sayles and Wellington by \$81.5 million and \$178.1 million respectively by the end of December 1997. This will leave the two active large cap equity managers with equal positions.

Mr. Seymore motioned that the proposed rebalance according to the investment committee's recommendation be approved. Ms. Kohut supported the motion. The motion carried unanimously. Chairperson Walker then asked the Board to state their preference for the process of selecting a passive manager and for the S&P 500 Index and the S&P Midcap Index. After discussion, Mr. Seymore motioned that staff issue an RFI for a passive manager for the S&P 500 Index and S&P Midcap Index, and bring two or three finalists to the December board meeting for Board's interview and final selection. Mr. Klosowski supported the motion. The motion carried unanimously.

CLOSED SESSION (22nd) p. 6

Chairperson Walker asked for a motion to go into closed session to review pending litigation. Mr. Seymore motioned the Board recess into Closed Session for a briefing by Legal Counsel on pending litigation which, if discussed in Open Session, would have detrimental financial effect on the litigation or settlement position of MERS. Ms. Wade supported the motion. A roll call vote was taken with all answering in the affirmative.

RETURN TO OPEN SESSION (22nd) p. 6

REQUEST FOR PROPOSAL FOR ACTUARIAL SERVICES (22nd) p. 6

After discussion of the September 16, 1997 letter to the Board and Respondents to the RFP and review of staff recommendation, Mr. Todd motioned that staff be authorized to negotiate with The Segal Company in accordance with parameters discussed in executive session. Mr. Ross supported the motion. The motion carried unanimously.

THE NORTHERN TRUST COMPANY RESOLUTION (22nd) p. 7

Mr. Linsday stated that in order to facilitate the processing of MERS' pension payroll effective next month, we need a Resolution to present to the Bank. This agreement imposes greater control over the ability to write checks/authorize wire transfers, and requires that any amount over \$20,000 would require two signatures/authorizations. We have also expanded the authorized signers to include the Executive Director, Controller, Legal Counsel, and Human Resources Director. It was also noted that the same type of changes would be made for our accounts with NBD.

Mr. Seymore motioned to approve The Northern Trust Company Resolution as recommended by staff. Ms. Kohut supported the motion. The motion carried unanimously.

RFP OUTSIDE AUDITOR (22nd) p. 7

Mr. Linsday commented that last year MERS' was required to use the State's outside auditor. MERS' needs to hire its own outside auditor to audit the system at the end of this fiscal year. Chairperson Walker commented that if the Board authorized an RFP, Mr. Linsday and staff could interview the auditors and bring their top choice to the Board by name only. The Board could then review the appropriate information provided by staff and give their approval of staff's selection.

Mr. Seymore motioned that staff should prepare an RFP for Outside Auditor and bring the name of their selection to the Board for approval in December. Ms. Kohut supported the motion. The motion carried unanimously.

AMENDMENT TO CUSTODIAL AGREEMENT WITH THE NORTHERN TRUST COMPANY (22nd) p. 7

Mr. Seymore motioned that the Amendment to the Custodial Agreement which adds Mr. Linsday in place of Ms. Stevens as an authorized signer be approved. The motion was supported by Mr. Ross. The motion carried unanimously.

OCTOBER 27, 1997 SPECIAL MEETING

MERS PLAN DOCUMENT SECTION 19A - DEFINED CONTRIBUTION BENEFIT PROGRAM IMPLEMENTATION (27th) p. 1-4

- A) Mr. Seymore moved that the Board establish the MERS investment earnings rate assumption in effect as of the adoption date be used as the discount rate to determine the actuarial present value of a member's accrued benefit that may be transferred to a DC plan, and that this action supersedes the action taken by the Board at the November 20, 1996 board meeting. Mr. Todd supported the motion. The motion carried unanimously.
- B) Mr. Todd motioned to concur with the recommendation of the Executive Director and Counsel to have a flat prohibition precluding transfer of assets, to a DC plan, on behalf of any municipality or court where the overall funded level percentage of aggregate accrued liabilities based on valuation assets of all reserves (specified in Table 11 of each municipality's Annual Actuarial Valuation report) is less than 60%. Ms. Kristen Wade supported the motion. The motion carried unanimously.
- C) Mr. Seymore motioned that the funded level for the member's specific MERS division (total funded percentage of the present value of accrued benefits based on valuation assets of all reserves) as of the Adoption Date from the most recent MERS annual actuarial valuation report data provided by MERS' Actuary. In the APV calculation, the funded level used shall be:

_____ Funded level for the division (whether less than, or greater than, 100% funded level.)

_____ If greater than the division's funded level but not more than 100% funded level, then MERS is directed to compute the funded percentage for the transfer calculations on _____% funded basis (insert number not less than funded level percentage and not more than 100%). Where less than 100% funded level exists, this governing body recognizes that such direction shall increase its pension funding liability. MERS shall not implement such direction unless the governing body forwards to MERS sufficient cash up to the funded level selected for all members prior to the Conversion Date; if sufficient cash is not forwarded, then the governing body expressly covenants with MERS and directs, as a condition of this selection, to MERS billing and the governing body remitting to MERS all contributions necessary to fund the unfunded liability occasioned by the aggregate transfer of the difference between the actual funded level for the division and unfunded level directed above over a period of four (4) years

_____ If the divisional funded level is greater than 100% funded level, then MERS is directed to compute the funded percentage for the transfer calculation at _____% (insert percentage chosen of not less than 100% and not more than maximum of total funded percentage.)

Mr. Todd supported the motion. The motion carried unanimously.

D) Mr. Todd motioned to approve the MERS Uniform Defined Contribution Program Resolution as amended. Ms. Kohut supported the motion. The motion carried unanimously.

CLOSED SESSION (27th) p. 4

Chairperson Walker then asked for a motion to go into closed session to discuss pending litigation. Mr. Seymore motioned that the Board go into closed session to discuss a potential settlement on pending litigation where a public session would have an adverse impact on the settlement condition. Ms. Wade supported the motion. A roll call vote was taken with all present answering in the affirmative.

THE OPEN MEETING WAS CALLED BACK TO ORDER

EATON COUNTY (27th) p. 4

Mr. Todd motioned to accept the recommendations of special counsel and MERS' Legal Counsel in the Eaton County case as was indicated by them in closed session. Ms. Wade supported the motion. The motion carried unanimously.

NOVEMBER 11 & 12, 1997

PERFORMANCE MEASUREMENT CONSULTANTS' PRESENTATIONS (11th) p. 1-2

Mr. Lindsay and Ms. Wagner provided a brief review of the Request for Proposal (RFP) process. At the July board meeting, the Board directed staff to issue an RFP for a performance measurement consultant. The RFP was issued on September 3, 1997. From eight respondents, staff selected four finalists to make their presentation to the Board. Staff had provided copies of the finalists' proposals to the Board.

Presentations were made by Mr. Ron Gold from Callan Associates; Mr. Gerald Brice and Mr. Tim Brice from Merrill Lynch - The Brice Group; Mr. Charles Hundley, Mr. Daniel Woodruff, Mr. Mark Warner and Ms. Kimberly Miller from The Northern Trust Company; and Mr. Richard Charlton and Mr. Orr Shepherd from New England Pension Consultants.

After discussion and collective considerations of cost, data base, technology, and organizational factors supporting the consulting services to be provided, Mr. Todd motioned that the performance measurement contract be awarded to The Northern Trust Company. Mr. Birgbauer supported the motion. A roll call vote was taken, as follows: Ronald Birgbauer - Yes, Raymond Klosowski - No, Donna Kohut - Yes, Ken Ross - No, Bruce Seymore - No, Fred Todd - Yes, Kristen Wade - Yes, Dale Walker - Yes. Eight votes were cast, five "yes" - three "no." The motion carried on a 5-3 vote.

The Board and staff discussed the need to facilitate input of investment performance data to the investment performance consultants and reconciliation of MERS records with the custodian. Ms. Kohut then motioned that the Executive Director be authorized to make arrangements with MERS custodian, The Northern Trust Company, to set up the appropriate sub trust accounts for the individual investment managers. Mr. Seymore supported the motion. The motion carried unanimously.

PROPOSED PLAN AMENDMENTS (12th) p. 3-4

SECTION 19A(11)(b)(4)

A) Mr. Todd motioned that effective immediately on, November 12, 1997, the reference to E-2 be stricken from the Plan Document text of Section 19A(11)(b)(4). With the correction, the text will read: "For purposes of the actuarial present value calculation, any future benefit otherwise payable under Benefit Program E or E-1 shall be disregarded." Ms. Wade supported the motion. The motion carried unanimously.

SECTION 19A(8)

B) Mr. Seymore motioned that effective immediately on November 12, 1997, subsection (c) be added to Section 19A(8) to read: "(c) On the date of the resolution adopting Benefit Program DC, the total funded percent of aggregate accrued liabilities and valuation assets of all reserves specified in Table 11 (or successor table) of the most recent annual actuarial valuation report is at least sixty percent (60%)." Ms. Kohut supported the motion. The motion carried unanimously.

SECTION 19A(11)(b)

C) Mr. Todd motioned that effective immediately on November 12, 1997, new language (bolded) be added in Section 19A(11)(b) with revised text to read: “(b) Pursuant to procedures established by the Retirement Board, the excess, if any, of the actuarial present value of the accrued benefit associated with the member’s coverage under the previous benefit program, over the amount specified in subdivision (a), **based upon the funded level percentage selected by the governing body in the MERS Uniform DC Program Resolution (which shall not exceed 100% funded level in any case)**, shall be transferred from the reserve for employer contributions to the reserve for defined contribution.” Ms. Wade supported the motion. The motion carried unanimously.

SECTION 29(1)

D) Mr. Ross motioned that in regard to Section 29 (1), staff compile the necessary information as it relates to revising the limitation on considered income and the disability allowance in effect until age 60 for Board review at a future board meeting. The motion was supported by Ms. Wade. The motion carried unanimously.

SECTION 31 (a) [now Section 31 (1)]

E) **(ANNUAL RETIREE EARNINGS LIMITATION)**

Mr. Todd motioned that effective January 1, 1998 the annual retiree earnings limitation in Section 31 (a) be increased from \$5,000 to \$10,000, which would not be applicable once a retiree reaches age 70. The revised text (new language bolded) to read: “(a) Payment of the retirant’s retirement benefit shall be suspended if the retirant becomes employed by the participating municipality or participating court from which the retirant retired. Suspension of payment shall become effective the first day of the calendar month next following the date the member earns more than **\$10,000.00** in gross compensation during a calendar year on account of the reemployment **until the retirant attains age 70 years**. Payment of the retirement benefit shall resume without change in amount or conditions by reason of the employment, on the first day of the calendar month next following termination of employment, or on January 1 following the suspension of the retirement benefit if the reemployment is not terminated. The retirant shall not be a member during the period of employment.” Mr. Ross supported the motion. The motion carried unanimously.

MERS UNIFORM DEFINED CONTRIBUTION PROGRAM RESOLUTION AMENDMENTS

(12th) p. 4-5

Mr. Seymore moved to approve the defined contribution resolution amendments recommended by staff as follows: Add language (bolded) to Section I. (B) to now read: “(B) EARNINGS shall include items of “Compensation” under Section 2a(6) of the MERS Plan Document, **being the medicare taxable wages reported on the member’s W-2 statement.**” And, delete language in Section II. (H)2. The revised text to read: “2. The actuarial present value (as determined in Paragraph (I) below).” Mr. Klosowski supported the motion. The motion carried unanimously.

Mr. Klosowski motioned that page five of the resolution, first paragraph, be changed to read: “Funded level for the division (not to exceed 100% funded level),” and the former third paragraph be deleted with the revised text of Section II. (I)2 to read:

“2. **The funded level for the member’s specific MERS division** (total funded percentage of the present value of accrued benefits and valuation assets of all reserves) **as of the Adoption Date** from the most recent MERS annual actuarial valuation report data provided by MERS’ Actuary. In the APV calculation, the funded level used shall be:

**THE GOVERNING BODY SHALL
SELECT ONLY ONE OF THE FOLLOWING**

_____ Funded level for the division (not to exceed 100% funded level).

_____ If greater than the division’s funded level but not more that 100% funded level, then MERS is directed to compute the funded percentage for the transfer calculation on _____% funded basis (insert number not less than funded level percentage and not more than 100%). Where less than 100% funded level exists, this governing body recognizes that such direction shall increase its pension funding liability. MERS shall not implement such direction unless the governing body forwards to MERS sufficient cash up to the funded level selected for all members prior to the **Conversion Date**; if sufficient cash is not forwarded, then the governing body expressly covenants with MERS and directs, as a condition of this selection, to MERS billing and the governing body remitting to MERS all contributions necessary to fund the unfunded liability occasioned by the aggregate transfer of the difference between the actual funded level for the division and funded level directed above over a period of four (4) years.”

Mr. Seymore supported the motion. The motion carried unanimously.

PUBLIC BOARD MEMBER CANDIDATE

Mr. Ross motioned that Mr. Bruce H. Johnson be appointed to the Board for a term ending December 31, 1998. This position requires knowledge or experience in retirement systems administration, investment management, or advisory services. Mr. Seymore supported the motion. A roll call vote was taken as follows: Ronald Birgbauer - No, Raymond Klosowski - No, Donna Kohut - No, Ken Ross - Yes, Bruce Seymore - Yes, Fred Todd - Yes, Kristen Wade - Yes, Dale Walker - Yes. Eight votes were cast, five “yes” - three “no.” The motion carried on a 5-3 vote.

SPECIAL ANNUAL EXPENSE CHARGES RESOLUTION (12th) p. 6

Mr. Seymore motioned to approve staff’s recommendation to approve the Special Annual Expense Charges Resolution as follows:

SPECIAL ANNUAL EXPENSE CHARGES RESOLUTION

WHEREAS, under Board policy adopted on March 18, 1992, as revised February 17, 1993, a special expense charge shall be required of municipalities or courts with more than five (5) employee classifications (divisions/bargaining groups), in the annual amount of \$1,000 for each employee classification in excess of five classifications; and

WHEREAS, under the same Board policy, a special annual expense charge shall be applied to municipalities or courts that adopt non-standard MERS benefits (modifications of MERS benefit programs or member contribution programs) through collective bargaining, as follows;

MODIFICATIONS OF MERS BENEFIT PROGRAMS: (1) First year, including one-time charge for setup/programming \$6,000 (2) Subsequent years' annual charge \$1,000

MEMBER CONTRIBUTION PROGRAMS: (1) First year, including one-time charge for setup/programming \$1,000 (2) Subsequent years' annual charge \$500; and

WHEREAS, the special expense annual charges are based on the benefits and classifications in effect in the municipality or court for the most recent annual actuarial valuation report, and the charges (if applicable) will be deducted from the municipality's or court's calendar year-end investment credit, to the exclusive credit of MERS to defray administrative expense incurred; and

WHEREAS, the MERS Plan Document of 1996, Section 43b, **Collective Bargaining Agreements; Benefit Modifications; Extension of Modified Benefits to Non-bargaining Groups**, states in subsection (3):

As a condition of the retirement system administering retirement benefit modifications under this section 43b, the participating municipality or participating court shall agree to compensate the system for all reasonable and necessary additional costs of administering such benefit modifications.

NOW, THEREFORE, BE IT RESOLVED, under 1996 PA 220, Section 36: MCL 38.1536 and the Plan Document of 1996, Section 43b(3) the Retirement Board **reaffirms** the Special Annual Expense Charges policy set forth above, **and** effective immediately **extends** full application of the policy to non-represented employees of a participating municipality or court which are extended collectively-bargained benefit modifications under Plan Section 43b(2).]

Mr. Ross supported the motion. The motion carried unanimously.

PURCHASING/DISPOSAL POLICY (12th) p. 7

Mr. Todd motioned to approve staff's recommendation to amend the Purchasing Disposal Policy which previously was approved by the Board on January 22, 1997. On Page 1, the first paragraph under the Purchasing Section now reads: "Within budget parameters, primary responsibility for all acquisitions not exceeding \$10,000 and ongoing service items rests with the Executive Director. Items over \$10,000 but not exceeding \$20,000 and not an ongoing service will be authorized by the Executive Director and the Chairperson. Such purchases will be reported to the Board at its next regularly scheduled meeting. Items over \$20,000 and not an ongoing service will be authorized individually by the Board. Signature responsibility can be delegated to individuals for specific categories of purchases. Any further delegation of purchasing responsibility per this policy will be in writing. This will ensure the smooth flow of MERS operation."

On Page 3, number 4A. and B. will read: “A. Items under \$5,000, excluding items covered in other sections, will be ordered based upon features, needs, and catalog or phone pricing after Executive Director written approval. B. Items costing \$5,000 up to and including \$10,000 will be awarded based upon three written bids after Executive Director written approval and budget availability.” Ms. Kohut supported the motion. The motion carried unanimously.

OUTSIDE AUDITOR (12th) p. 7

Mr. Seymore motioned to approve staff’s recommendation to authorize the Chairperson and Executive Director to enter into a contract with Andrews Hooper & Pavlik P.L.C. for a two-year term with a right to extend one year at the proposed fees contained in their July 9, 1997 proposal. Ms. Kohut supported the motion. The motion carried unanimously.

ICMA - DISABILITY AND DEATH BENEFIT OPTIONS FOR MERS DC PROGRAM (12th) p. 8

Mr. Todd motioned to approve staff’s recommendations that (1) the Board direct that ICMA-RC and MERS’ staff oral and written presentations of the MERS DC Program under ICMA-RC fully address the issues of death and disability coverage which is not (unlike the MERS defined benefit programs) an “automatic feature” under defined contributions programs, including the MERS DC Program. (2) The Board authorized ICMA-RC to make available information to MERS municipalities (and members) considering the DC Program, on the subject of reasonably equivalent (to the MERS defined benefit programs) death and disability coverage under the DC Program. The municipality is directly responsible for any due diligence and costs associated with such undertaking. In this respect, the Retirement Board does not endorse any particular consultant or carrier, and a municipality has full discretion to consider all consultants or carries and options. Further, the Board directs that when an employee covered by a DB Plan opts into the DC plan, the employee acknowledge in writing that they understand there is no death or disability coverage provided by MERS as is available under the DB plan. Mr. Ross supported the motion. The motion carried unanimously.

INVESTMENTS (12th) p. 10

Ms. Wade motioned to approved staff’s recommendation that pursuant to the contract, Amerindo be paid the performance bonus of \$442,910 for the two-year period ending April 1, 1997. Further, since the existing contract expires during the first quarter of 1998, do not make any amendments at this time. Mr. Todd supported the motion. The motion carried.

Ms. Wade motioned to approve IPC’s recommended disposition strategies as outlined in their letter to Ms. Wagner dated October 30, 1997. Mr. Birgbauer supported the motion. The motion carried unanimously.

Ms. Wagner reviewed her October 30, 1997 memorandum regarding Loomis Sayles Fee Request. After discussion and based upon staff’s recommendation, Mr. Todd motioned to deny Loomis Sayles’ fee increase request. Ms. Kohut supported the motion. The motion carried unanimously.

DECEMBER 17 & 18, 1997

IMPLEMENTATION OF PEOPLESOFT PENSION ADMINISTRATION SYSTEM - EXTENSION OF CONTRACTS (17th) p. 2

Mr. Seymore motioned to approve the Executive Director's recommendation that the Board authorize the Executive Director to execute IBM's Change Request Form Number 002 which provides an additional 557 hours for a cost of \$94,690 in order to complete Phase II of the project. Also, that the Executive Director be authorized to extend the contracts with L & N Enterprises, Inc. and Gabriel, Roeder, Smith & Company for an amount not to exceed \$60,000 in total for the two contracts. Mr. Klosowski supported the motion. The motion carried unanimously.

1998 BUDGET (17th) p. 2

Mr. Linsday stated that the 1998 Budget Proposal includes a 3% increase for salaries over 1997. He referred to an October 23, 1997 memorandum from Mr. Ron Beaton, Human Resource Director, which provides support for the increase.

Mr. Linsday also referred to a memorandum from Mr. Beaton dated December 16, 1997 regarding an Employee Fringe Benefit Proposal for 1998, and an employee fringe benefit survey which was recently completed in the MERS employment area. Mr. Linsday then requested that the Board approve the recommendation to add a net two days of paid holidays by adding three paid legal holidays, and deleting the employee's birthday, and add five paid sick days per year. After discussion, Mr. Klosowski motioned that five sick days be added with no carry over from one year to the next and one additional holiday be added. Mr. Todd supported the motion. The motion failed.

Chairperson Walker then appointed Ms. Kohut, Mr. Todd, and Ms. Wade to a committee to work with Mr. Linsday on the employees' fringe benefits package, and that this committee report back to the full board at the January meeting. Further discussion of the budget was deferred to the next day.

BOARD MEMBER EDUCATIONAL POLICY (17th) p. 2

Mr. Ross motioned that pursuant to board policy, Mr. Birgbauer, Mr. Johnson, Mr. Seymore, Mr. Todd, and Ms. Wade attend the Institute for Fiduciary Education conference to be held in the spring of 1998. Ms. Kohut supported the motion. The motion carried unanimously.

Mr. Klosowski motioned that Mr. Ross, Mr. Seymore, Mr. Todd, Ms. Wade and the Executive Director - Mr. Linsday attend the 1998 Government Finance Officers Association Conference to be held in San Francisco, California, on June 28 - July 1, 1998. Ms. Wade supported the motion. The motion carried unanimously.

MERS BOARD MEETINGS - 1998 MONTHLY SCHEDULE (17th) p. 3

Mr. Seymore motioned to approve the 1998 Monthly Board Meeting Schedule as presented. Mr. Ross supported the motion. The motion carried unanimously.

JEAN PESONEN v MERS (ON REMAND FROM MONTMORENCY COUNTY CIRCUIT COURT, DOCKET NO. 97-003523-AA(S)) FOR CONSIDERATION OF ADDITIONAL MEDICAL EVIDENCE (17th) p. 3

Mr. Moquin referred to his memorandum to the Board dated December 9, 1997 stating that this case is being remanded to the Board from the Montmorency Circuit Court; and was sent back to the Hearing Officer for consideration of some additional medical evidence, which was first submitted after the Hearing Officer made her initial decision. Mr. Moquin recommended that the Board concur with the Hearing Officer's decision.

Mr. Todd motioned to accept the Proposal for Decision on consideration of additional medical evidence in the case of Jean Pesonen v MERS (On Remand from Montmorency County Circuit Court, Docket No. 97-003523-AA(S)) and grant duty disability benefits. Mr. Ross supported the motion. The motion carried unanimously. This motion (and implementing order) supersedes the Board order dated May 5, 1997, denying benefits.

RESPONSE TO THE CITY OF EAST LANSING'S LETTER DATED NOVEMBER 3, 1997 (17th) p. 3

Mr. Seymore motioned to receive and file The Segal Company's correspondence dated December 16, 1997 and that a copy of the December 16, 1997 letter be sent to the City of East Lansing. Mr. Klosowski supported the motion. The motion carried unanimously.

ALLOCATION OF UNDISTRIBUTED INVESTMENT INCOME TO THE INDIVIDUAL BALANCES IN THE RESERVE FOR EMPLOYEE CONTRIBUTIONS (17th) p. 3

Mr. Todd motioned to approve the Executive Director's recommendation that the Board permanently establish 4% as the allocation rate for the purpose of allocating undistributed investment income under Plan Section 52 to the individual balances in the reserve for employee contributions (Section 46). Further, MERS shall continue the practice of crediting the employees' accumulated balances as of December 31 based upon the prior year's December 31 balance, and the practice of crediting on a pro rata (completed whole month(s) divided by 12) basis interest to the date of refund for those withdrawing their accumulated employee contributions. The motion was supported by Ms. Kohut. The motion carried unanimously.

PURCHASE OF SERVICE COSTING OVER \$10,000 BUT NOT EXCEEDING \$20,000 (17th) p. 4

Mr. Lindsay referred to his memorandum to the Board dated December 10, 1997 informing the Board, pursuant to the Purchasing/Disposal Policy, that the Chairperson and Executive Director entered into a contract with Federal Liaison Services (FLS), Inc. on December 4, 1997. FLS will process the 1099-R's for MERS for the calendar year 1997. Mr. Todd motioned to receive and file the report. Ms. Kohut supported the motion. The motion carried unanimously.

CORRESPONDENCE REGARDING THE RFP FOR PERFORMANCE EVALUATION SERVICES (17th) p. 4

Mr. Lindsay referred to the letters dated November 25, 1997 received from Callan Associates and New England Pension Consultants. The letters were written as a follow-up to their presentation to the Board on November 11, 1997. Mr. Seymore motioned to receive and file the letters. Ms. Kohut supported the motion. The motion carried unanimously.

REQUEST FOR INFORMATION - PASSIVE DOMESTIC EQUITY STRATEGIES (18th) p. 5

Mr. Seymore motioned that the passive S&P 500 Index and S&P Midcap 400 Index accounts be placed with World Asset Management. The motion was supported by Mr. Todd. The motion carried.

FATIMA TONEY v MERS AND COUNTY OF MUSKEGON (18th) p. 5-6

Mr. Moquin referred to the matter of Fatima Toney v MERS and County of Muskegon stating that an administrative hearing was conducted July 24, 1997. After the filing of post-hearing briefs by all parties, the Hearing Officer issued the Proposal for Decision (PFD) dated October 2, 1997, recommending the granting of Petitioner's request for duty disability benefits. Mr. Lindsay sent the County his letter dated October 9, 1997 (along with the PFD), advising of the right to file Exceptions within 21 days. The County then filed an Exception dated October 29, 1997. The Petitioner filed a Response to the County's Exception dated November 4, 1997. Respondent MERS filed Exceptions to the County's Exceptions on November 13, 1997.

Mr. Moquin then stated that Mr. Jon Vander Ploeg, Attorney representing Muskegon County, was present and wished to address the Board. Mr. Seymore motioned to allow Mr. Vander Ploeg, Attorney for Muskegon County, to address the Board. Mr. Klosowski supported the motion. The motion carried unanimously.

Mr. Vander Ploeg commented that Fatima Toney claims to suffer from a disabling spinal condition resulting from her work for the County of Muskegon and petitions for duty disability retirement benefits. Mr. VanderPloeg then stated that the County asserts that whatever spinal condition she may have, resulted from an aggravation of a non-work-related pre-existing spinal condition. He further stated that under the applicable law in Michigan, aggravation of a pre-existing condition does not meet the proximate cause requirement for duty disability.

Mr. Vander Ploeg then requested that the MERS Board consider this case very carefully, and not approve the decision of hearing officer, but rather deny Fatima Toney's claim.

Mr. Moquin then stated that there is substantial applicable evidence under the law to support the Hearing Officer's decision. The Board's Hearing Officer functions to make findings of fact based on the evidence and testimony at the hearing, and the Hearing Officer's decision should be given deference. Mr. Moquin then recommended that the Board issue a final order accepting and adopting the Hearing Officer's decision as their own finding of facts and conclusions of law and grant disability in this case.

Mr. Seymore motioned to not accept the Hearing Officer's Findings of Facts and Conclusion of Law in the case of Fatima Toney v MERS and County of Muskegon. Ms. Wade supported the motion. The motion carried unanimously.

Mr. Todd then motioned that Muskegon County's attorney draft a proposed decision and final order for consideration by the Board at the January meeting. Mr. Seymore supported the motion. The motion carried unanimously.

CLOSED SESSION (18th) p. 6

Chairperson Walker asked that the Board go into closed session to discuss a potential settlement on pending litigation where a public session would have an adverse impact on the settlement condition. Mr. Birgbauer motioned that the Board go into closed session to discuss a potential settlement agreement on pending litigation. Mr. Klosowski supported the motion. A roll call vote was taken as follows: Ronald Birgbauer - Yes, Bruce Johnson - yes, Raymond Klosowski - Yes, Donna Kohut - Yes, Bruce Seymore - Yes, Fred Todd - Yes, Kristen Wade - Yes, Dale Walker - Yes. The motion carried unanimously.

THE OPEN MEETING WAS CALLED BACK TO ORDER.

SETTLEMENT AGREEMENT (18th) p. 6

Mr. Seymore motioned to approve the settlement agreement presented to the Board in closed session; and authorized the Chairperson to sign the agreement on behalf of the Board, and the Executive Director, upon Mr. Moquin's final review and recommendation. Mr. Johnson supported the motion. The motion carried unanimously.

1998 BUDGET (continued) (18th) p. 8

Ms. Kohut motioned to approve the budget without posting new positions or granting 3% pay increases. After the Employee Benefit Committee has met to review the paid time off and increase in pay proposal, the Committee will bring back their findings and the Board will then address the specific items listed in the budget at the January meeting. Mr. Seymore supported the motion. The motion carried unanimously.

END OF 1997 MOTIONS