

# MUNICIPAL EMPLOYEES' RETIREMENT BOARD

## 2000 Motions

JANUARY 12, 2000

### BOARD REORGANIZATION p. 1

Chairperson Walker turned the floor over to Mr. Lindsay who requested nominations for Chairperson. Mr. Dennis Murphy nominated Mr. Walker as Chairperson. Mr. Ross supported the motion. After requesting further nominations and hearing none, Mr. Lindsay asked for a motion to close the nominations. Ms. Kohut moved that nominations be closed and that a unanimous ballot be cast for Mr. Walker. Mr. Seymore supported the motion. The motion carried unanimously.

Chairperson Walker declared the floor open to nominations for Chairperson Pro Tem. Mr. Ross nominated Ms. Kohut for Chairperson Pro Tem. Ms. Wade supported the motion. After requesting further nominations and hearing none, Chairperson Walker asked for a motion to close nominations. Mr. Seymore moved that nominations be closed and directed that a unanimous ballot be cast for Ms. Kohut. Mr. Klosowski supported the motion. The motion carried unanimously.

### STAFF OPERATIONS p. 2

**2000 Monthly Board Meeting Schedule** - Mr. Seymore moved to approve the 2000 Monthly Board Meeting Schedule as amended. The schedule was amended as follows: Hancock Timber will present in June, Trust Company of the West will present in June and December, Lombard Odier will present in May and November. Mr. Murphy supported the motion. The motion carried unanimously.

**Executive Director's Retirement** – Mr. Klosowski moved that Mr. Lindsay's request to retire effective February 1, 2000 be accepted with regrets and that a resolution honoring Mr. Lindsay be adopted with extreme gratitude for a job well done for his service as MERS Executive Director from August 18, 1997 to January 31, 2000. Ms. Kohut supported the motion. The motion carried unanimously.

**Interim Executive Director** – Ms. Kohut moved to appoint Ms. Wagner as the interim Executive Director effective February 1, 2000, and that she serve as interim Executive Director until a permanent Executive Director is hired. Further, Ms. Wagner be given an additional \$1,000 per month compensation while serving as the interim Executive Director effective February 1, 2000 until a permanent Executive Director is hired. Mr. Ross supported the motion.

Mr. Seymore moved to amend the motion to make the additional \$1,000 per month temporary increase in salary effective January 13, 2000. Mr. Johnson supported the amendment. The amendment carried unanimously.

The motion as amended carried unanimously.

### **INVESTMENT COMMITTEE REPORT** p.3

Mr. Seymore moved the Investment Committee recommendations as follows:

- Western Asset management mandate be changed to manage the MERS portfolio in accordance with their Core Full Discretion product. This will include up to 12% in international bonds, emerging market debt and high yield bonds. The benchmark for Western will change to the Lehman Universal Index that includes the broader investable universe of bonds.
- One-half of the balance in the US Debt Fund managed by Barclays Global Investors be placed in the Alpha Plus Strategy. The goal of the “plus” strategy is to produce a consistent alpha estimated at 20 basis points over the index. The tracking error is monitored by the use of an optimizer designed to minimize errors.
- The remainder of the US Debt Fund move to track the Lehman Universal Index as soon as it is available at Barclays.
- The consolidated bond portfolio will be measured against the Lehman Universal Index just as the whole equity portfolio is against the Russell 3000 Index effective April 1, 2000.

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

Mr. Murphy moved the Investment Committee’s recommendation as follows:

The MSCI All Country World Index ex-US replace the MSCI EAFE Free Index for the active international equity manager. This will remove the 10% limitation outside of the benchmark currently in the guidelines.

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

Mr. Seymore moved the Investment Committee recommendations to the Investment Guidelines as follows:

- Section V C 3 on page 7 be changed to be in conformity to Section III C on page 6 to clarify the reporting periods required by the investment managers in their reports for both the Board and Staff.
- Section III B – monthly reports section changed to reflect the Board’s request to see the holdings report annually.
- Benchmark changes on page 2 for the fixed income managers and page 4 for the active International Equity Manager with an effective date of April 1, 2000.

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

### **CLOSED GROUP VALUATION REPORT** p. 4

Mr. Linsday referred to his memorandum dated January 10, 2000 regarding a restated policy for closed groups, and to Mr. Dawidowicz’s memorandum dated January 4, 2000 regarding the December 31, 1998 Actuarial Valuation for Closed Groups. Mr. Linsday commented that currently there are only two municipalities that have a funding deficit.

After discussion, Ms. Wade moved to approve the following:

## RESTATED POLICY FOR CLOSED GROUPS

From time to time participating municipalities and courts withdraw from MERS due to privatization (and therefore no longer eligible to participate), dissolution, or election to terminate participation pursuant to Sections 44 or 44A of MERS Plan Document. This is achieved through the terms of a MERS Withdrawal Agreement.

Such entities may choose to leave with MERS all or a portion of their actuarial accrued liabilities for active vested and deferred vested, retirants and beneficiaries together with assets in the amount required by the Retirement Board. Under Sections 44(2)(c) and 44A(2)(c), such assets are to include "a margin for experience fluctuation." Such closed group entity shall be required to have assets, based on market value, on deposit with MERS at the time of termination in an amount equal to 115% of the actuarial accrued liability. Assets in excess of this requirement at the time of termination may be refunded as directed by the entity.

These entities no longer actively participate in MERS and are referred to as "Closed Groups."

As of each December 31, an Annual Actuarial Valuation for all closed groups shall be prepared. A copy of the closed group valuation shall be mailed to the entity, accompanied by MERS' annual notification letter addressing its current funded status as described below.

- **Funding at Required level** (market assets at least 110% but not more than 120% of actuarial accrued liability). No action by entity necessary.
- **Funding Surplus** (market assets in excess of 120% of the actuarial accrued liability). Excess over 120% may be refunded by MERS as directed by the entity.
- **Funding Deficit** (market assets less than 110% of actuarial accrued liability). The entity shall within 90 days of the date of MERS' annual notification letter, remit to MERS the amount of the funding deficit, being the dollar amount by which the market assets fall short of 110% of actuarial accrued liabilities, as follows:
  - **Funding level between 105% and 110%.** Shortfall shall be made up immediately by payment to MERS of sufficient funds to attain the 110% level.
  - **Funding level between 100% and 105%.** Shortfall shall be made up immediately by payment to MERS of sufficient funds to attain the 105% level.
  - **Funding level less than 100%.** Shortfall shall be made up immediately by payment to MERS of sufficient funds to attain the 100% level.

This Restated Policy shall be effective immediately with exception of the Funding Deficit portion, which shall take effect with the December 31, 1999 closed group Annual Actuarial Valuations. This restated policy replaces the Board action of December 16, 1993.

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

### **STRATEGIC PLANNING** p. 5

Chairperson Walker asked for a motion on the Service Mission Statement. Mr. Seymore moved to approve the following Service Mission Statement:

Municipal Employees' Retirement System of Michigan is dedicated to the preservation and delivery of retirement benefits by providing cost-effective pension plan administration.

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

## **FEBRUARY 9 & 10, 2000**

### **MERS ECONOMIC MISSION/PURPOSE STATEMENT** (9<sup>th</sup>) p. 1

After discussion, Mr. Seymore moved to eliminate any further development of an Economic and Vision Statement. Mr. Ross supported the motion. The motion carried unanimously.

### **INTERNET PROJECT** (9<sup>th</sup>) p. 2

Ms. Wagner referred to her memorandum dated February 2, 2000. Mr. Seymore moved to approve staff's recommendation to spend up to \$100,000 allocated in the 2000 Budget under Professional Services/Computer Consulting with all of the necessary bids to bring this project to completion. Mr. Johnson supported the motion. The motion carried unanimously.

### **BUDGET TRANSFER REQUEST** (9<sup>th</sup>) p. 2

Ms. Wagner referred to her memorandum dated February 2, 2000. Ms. Wade moved to approve the staff's recommendation to: accomplish outlined organizational changes without a budget increase; contract with Interactive Business Systems for technical support within the 2000 Budget allowance for computer consulting needs; approve IBM contract for services for up to six months; and approve the Finance Director's budget transfer request to move \$270,000 from Manager Fees and reallocate \$200,000 to Computer Consultants and \$70,000 to Software Maintenance. Mr. Ross supported the motion. The motion carried unanimously.

### **REAL ESTATE POLICY MANUAL** (9<sup>th</sup>) p. 3

Ms. Wagner referred to her memorandum dated February 9, 2000. It was noted that on February 3, 2000, the Investment Committee had a conference call to discuss and edit the Real Estate Policy Manual that was originally adopted in 1988. The most notable changes to the manual are in the areas of the consultant's role and the inclusion of REITS and REOCS as real estate investment alternatives. Mr. Dennis Murphy moved that the Board approve the Real Estate Policy Manual subject to a review by the Board. If major corrections are not identified by 5:00 p.m. on February 24<sup>th</sup>, the policy will be approved as presented. Mr. Seymore supported the motion. The motion carried unanimously.

### **PLAN DOCUMENT: PROPOSED AMENDMENTS** (9<sup>th</sup>) p. 3

**Retiree Health Care** – Mr. Seymore moved to approve staff's recommendation that there is insufficient cause or showing to proceed further with a Plan Amendment to assist retirees with their hospital and medical insurance. Ms. Wade supported the motion. The motion carried unanimously. At this time, ICMA-RC will not be invited to make a presentation to the Board on its new retiree spending account (GIFTRUST) program.

**DROP Program** – Mr. Seymore moved to approve staff's recommendation to not pursue a DROP Option at this time. Mr. Johnson supported the motion. The motion carried unanimously.

### **STAFF OPERATIONS** (9<sup>th</sup>) p. 4

**Member Handbook** – Mr. Seymore moved to reconsider the Board action at the December Board meeting on the approval of the Member Handbook. Mr. Ross supported the motion. The motion carried. Mr. Seymore moved that the Member Handbook be referred back to Mr. Beaton to be condensed and simplified. Mr. Ross supported the motion. The motion carried unanimously.

## **MARCH 8 & 9, 2000**

### **REAL ESTATE POLICY** (8<sup>th</sup>) p. 2

After review of the Real Estate Policy and discussion, Mr. Murphy moved to approve the Real Estate Policy as amended. Mr. Johnson supported the motion. The motion carried unanimously.

### **INVESTMENT REPORT** (8<sup>th</sup>) p. 3

Chairperson Walker asked the Board's pleasure with respect to Loomis Sayles. After discussion, Mr. John Murphy moved to terminate the contractual agreement with Loomis, Sayles & Company effective March 9, 2000. Mr. Seymore supported the motion. The motion carried unanimously.

Ms. Wade moved that \$130 million be moved from the Russell 1000 Value Index and given to First Quadrant. Mr. Dennis Murphy supported the motion. The Board asked that Ms. Wagner negotiate fees. The motion carried.

Ms. Wade moved that \$200 million taken from Loomis, Sayles & Company be placed with Armstrong Shaw Associates. Mr. Johnson supported the motion. A roll call vote was taken as follows: Donna Kohut – no, Bruce Johnson – yes, Raymond Klosowski – yes, Dennis Murphy – no, John Murphy – yes, Kenneth Ross – yes, Bruce Seymore – no, Kristen Wade – yes, Dale Walker – yes. The motion carried 6-3. Ms. Wagner commented that she would inform Loomis, Sayles to cease and desist and offer the securities to Armstrong Shaw; the Board concurred.

### **STAFF OPERATIONS** (9<sup>th</sup>) p. 5

**Home Office Update** – Ms. Wagner referred to her memorandum dated February 28, 2000 regarding a Building Project Manager RFP. Mr. Moquin commented that the RFP was sent to four firms in the Lansing area. The only response to the RFP was from CB Richard Ellis/Martin. Mr. Seymore moved that staff proceed with preparing a Project Management Agreement with CB Richard Ellis/Martin for review at the April board meeting. Ms. Kohut supported the motion. The motion carried unanimously.

**Travel Policy** – Ms. Wagner referred to her memorandum dated March 1, 2000. After discussion, Ms. Kohut moved to approve the MERS' Travel Policy as corrected. Mr. Klosowski supported the motion. The motion carried unanimously.

**MERS Corporate Logo** – Mr. Seymore moved to approve the MERS Logo with a green diamond. Mr. John Murphy supported the motion. The motion carried unanimously.

### **PENSION BENEFIT APPLICATIONS** (9<sup>th</sup>) p. 9

Mr. Seymore moved to amend the previous motion to approve, so as to exclude the non-duty disability benefit application of Ms. Arlene Davidson from Eaton County (this application removed from the agenda). Ms. Wade supported the motion. The motion carried unanimously.

### **MEMBER HANDBOOK** (9<sup>th</sup>) p. 10

Mr. Ronald Beaton reviewed the Member Handbook with the Board. Mr. Seymore moved that the Member Handbook be approved as corrected. Mr. Ross supported the motion. The motion carried unanimously.

Mr. John Murphy approved staff's recommendation that the bid for printing of the Member Handbook be awarded to Millbrook Printing Company. Ms. Kohut supported the motion. The motion carried unanimously.

## APRIL 12 & 13, 2000

### CB RICHARD ELLIS MARTIN – PROJECT AGREEMENT (12<sup>th</sup>) p. 1

Mr. Moquin referred to his memorandum dated March 29, 2000 and Ms. Wagner referred to the Martin Property Development's correspondence to her dated April 5, 2000. After discussion, Mr. Ross moved to proceed with acquiring property and reviewing the process of building. Mr. Seymore supported the motion. The motion carried unanimously.

Ms. Kristen Wade moved to approve the Martin Property Development, Inc. contract subject to inclusion of necessary language and after negotiation of fees. Mr. Johnson supported the motion. The motion carried unanimously.

After discussion regarding the size of building to be built, Mr. Seymore moved that the new building be approximately 20,000 square feet as called for on page 1 of the Martin Property Development contract dated April 5, 2000, option B (A bi-level 20,000 square foot office building with a 10,000 square foot floor plate) or C (A two-story 20,000 square foot office building with a 10,000 square foot floor plate). Mr. Dennis Murphy supported the motion. The motion carried unanimously.

### LEGAL REPORT (13<sup>th</sup>) p. 3

Mr. Moquin reported that MERS has been asked to participate as one of the Plaintiffs in Federal Securities Litigation involving about 12,900 shares that MERS owns in JDN Realty. This is a REIT that was purchased on MERS behalf by World Asset Management. JDN disclosed in February 2000 that two of its directors had received about \$5 million in unreported compensation for 21 of some of 150 ongoing projects. That will change JDN's financial results that were reported from 1994 through 1998. The CEO and two other individuals involved have resigned.

Four class action lawsuits under the federal securities law have already been filed. The Private Security Litigation Reform Act, passed in 1996, that permits institutional investors, in particular public pension systems, to assume the role of lead plaintiff in these cases. Typically, a law firm will pool representation of various public holdings. If the "pool" is representative of the class itself, and has the highest number of shares in which a claim is being made against the company, the court will then give lead plaintiffs' role to that group of institutional investors. One of the reasons that this was done was to make changes in governance of companies that have run into problems in federal security law, as well as to recover damages that occur because of undisclosed information or other violations of SEC Law. There is no cost to MERS in doing this because these cases are typically settled out of court and the company that is being sued pays attorney costs. We have been advised that there are other retirement systems which will participate including the City of Detroit, City of Pontiac, and two or three other municipal systems within the State of Michigan, which own smaller amounts of shares.

The deadline for filing the suit is April 17, but the Complaint is actually going to be filed April 14, 2000. Mr. Moquin stated that he and Ms. Wagner have reviewed the proposed Complaint and sent a go ahead to New York Counsel for approval that MERS is interested in being one of the co-lead plaintiff's in this case.

Mr. Seymore moved to authorize MERS to enter into the lawsuit against JDN Realty as a lead participant. Mr. Klosowski supported the motion. The motion carried unanimously.

**CLOSED SESSION** (13<sup>th</sup>) p. 4

Mr. Moquin asked that the Board go into closed session to discuss a written communication from Special Counsel regarding pending litigation regarding MERS vs Federal Insurance Company. Ms. Wade moved to go into closed session to discuss written communication from Special Counsel regarding pending litigation. Mr. Klosowski supported the motion. A roll call vote was taken as follows: Bruce Johnson – Yes, Raymond Klosowski – Yes, John Murphy – Yes, Kenneth Ross – Yes, Bruce Seymore – Yes, Kristen Wade – Yes, Dale Walker – Yes. The motion carried.

**OPEN SESSION RECONVENED** (13<sup>th</sup>) p. 4

Ms. Wade moved to accept General Counsel's recommendation that MERS not proceed with an appeal in the Federal Insurance Company litigation. Mr. John Murphy supported the motion. The motion carried.

**EXECUTIVE DIRECTOR APPOINTMENT** (13<sup>th</sup>) p. 4

Ms. Kohut and Mr. Murphy were present by speakerphone. Mr. Seymore moved to offer Ms. Wagner a contract to be the Executive Director of MERS to include; a salary of \$100,000 effective February 1, 2000, vacation time to be accrued so as to result in 20 paid vacation days per year, a severance package equal to one month's salary for each year of service with a maximum of three months, that she be provided with leadership coaching for one year, with a performance review six months from February 1, 2000 (July 1, 2000), that Ms. Wagner's salary additionally be increased by \$1,000 per month effective February 1, 2000 until such time as a Director of Investment is in place. Mr. Ross supported the motion. A roll call vote was taken as follows: Donna Kohut – Yes, Bruce Johnson – Yes, Raymond Klosowski – Yes, Dennis Murphy – Yes, John Murphy – Yes, Kenneth Ross – Yes, Bruce Seymore – Yes, Kristen Wade – Yes, Dale Walker – Yes. The motion carried unanimously.

**REAL ESTATE CONSULTANT PRESENTATION** (13<sup>th</sup>) p. 5

Ms. Wagner referred to her memorandum to the Board dated April 4, 2000 regarding Real Estate Portfolio Management. After discussion, Mr. Klosowski moved that The Townsend Group be retained as MERS Real Estate Portfolio Manager with Ms. Byrne as the real estate consultant provided that Ms. Wagner negotiates the fees. Ms. Wade supported the motion. The motion carried.

**STAFF OPERATIONS** (13<sup>th</sup>) p. 5

**Annual Meeting Registration Fee Proposal and Suggested Session Topics** – Ms. Lynes noted that a postcard would be sent to all the municipalities with a teaser regarding this year's annual meeting. She then reviewed the proposed session topics and the proposed registration fees of \$125 for early registration and \$150 for late registration, which is the same as last year. Mr. Seymore moved that the registration fee and annual meeting session topics as suggested by staff be approved. Mr. Klosowski supported the motion. The motion carried unanimously.

## MAY 23, 2000

### EMPLOYEE PERSONNEL MANUAL p. 1-2

Mr. Beaton answered general questions from the Board regarding the new employee personnel manual. The Board suggested that the Paid Time Off Transfer of Time section include a form that should be used to transfer paid time off from one employee to another. Ms. Kohut, Ms. Wade, and Mr. John Murphy acknowledged Mr. Beaton and all of the efforts he put into development of the Employee Personnel Manual. Mr. Seymore moved that the Employee Personnel Manual be approved with the corrections as noted. Ms. Kohut supported the motion. The motion carried unanimously.

### ADMINISTRATIVE SERVICES REPORT p. 2

Mr. Beaton referred to information provided regarding Defined Contribution – Municipality Adoption Information as of May 2, 2000. The Board agreed that those municipalities who rescind the adoption of Defined Contribution could be left off this report.

Mr. Beaton provided the Board with a copy of his Initial and Supplemental Valuation tracking report. He further noted that the Segal Company has improved in getting the valuations turned around for staff. The Segal Company is making a substantial effort to return staff's questions promptly regarding missing information.

Mr. Klosowski moved to approve the Administrative Services Report. Ms. Wade supported the motion. The motion carried unanimously.

### CLOSED SESSION p. 2

Mr. Seymore moved that the Board go into closed session to review the April 13, 2000 closed session minutes. Ms. Wade supported the motion. A roll call vote was taken as follows: Donna Kohut – Yes, Bruce Johnson – Yes, Raymond Klosowski – Yes, Dennis Murphy – Yes, John Murphy – Yes, Kenneth Ross – Yes, Bruce Seymore – Yes, Kristen Wade – Yes, Dale Walker – Yes. The motion carried unanimously.

### OPEN SESSION CALLED BACK TO ORDER p. 3

Chairperson Walker called the open session back to order. Ms. Wade moved to approve the April 13, 2000 closed session minutes. Mr. Ross supported the motion. The motion carried unanimously.

### ACTUARY REPORT – THE SEGAL COMPANY p. 3-4

#### **Experience Study – Recommended Assumptions**

**Salary Increase Assumption** – Mr. Dawidowicz referred to his February 29, 2000 memorandum to the Board regarding the preliminary results of the experience study. He recommended that no changes be made to the salary scale assumption. He further stated that the current inflation assumption, (4.5%), which was adopted for the December 31, 1997 actuarial valuation continues to be reasonable for MERS. Ms. Kohut moved that based on the actuary's recommendation, MERS salary assumption remain at 4.5%. Ms. Wade supported the motion. The motion carried unanimously.

**Withdrawal Rates** – Mr. Dawidowicz recommended that one uniform set of withdrawal rates be adopted for all municipalities and divisions within those municipalities. This eliminates the former distinction of low, medium, and high rates of withdrawal that have been applied to individual valuation divisions. Mr. Dennis Murphy moved that based on the actuary’s recommendation, that one uniform set of withdrawal rates at the medium level be adopted for all municipalities and divisions within those municipalities. Mr. Seymore supported the motion. The motion carried unanimously.

**Retirement Rates** – Mr. Dawidowicz recommended that the low, medium and high designations be eliminated and be replaced with a uniform set of retirement rates for all divisions that have the same “F” provisions. Mr. Seymore moved that based on the actuary’s recommendation, that one uniform set of withdrawal rates at the medium level be adopted for all municipalities and divisions within those municipalities. Ms. Kohut supported the motion. The motion carried unanimously.

**Mortality Rates** – Mr. Dawidowicz recommended that MERS adopt the 1994 Group Annuity Mortality Table (1994 GAM) as the standard mortality table to estimate mortality decrements in the annual valuation process. Mr. Dennis Murphy moved that based on the actuary’s recommendation, MERS adopt the 1994 Group Annuity Mortality Table (1994 GAM) as the standard mortality table to estimate mortality decrements in the annual valuation process. Mr. Seymore supported the motion. The motion carried unanimously.

**Disability Rates** – Mr. Dawidowicz recommended that no change be made to these rates. Mr. Seymore moved that based on the actuary’s recommendation, no change be made to these rates. Mr. Ross supported the motion. The motion carried unanimously.

**Interest Rate** – Mr. Dawidowicz recommended that no change be made to the current 8% interest rate assumption at this time. Mr. Seymore moved to adopt the actuary’s recommendation. Mr. Johnson supported the motion. The motion carried unanimously.

**Actuarial Asset Valuation Method and Accelerated Funding Credit Program** – Mr. Johnson moved that discussion of these topics be tabled. Mr. Dennis Murphy supported the motion. The motion carried unanimously.

#### **STAFF OPERATIONS** p. 4

**Revised Board Member Nomination and Selection Procedure** – Ms. Kohut moved to approve the Revised Board Member Nomination and Selection Procedure to be presented to the 2000 Annual Meeting Delegates for Approval. Ms. Wade supported the motion. The motion carried unanimously.

#### **LETTER OF RESIGNATION FROM KENNETH ROSS** p. 5

Mr. Ross submitted his letter of resignation as Employee Board Member effective July 1, 2000 due to his retirement effective on the same date. Mr. Ross commented that he is proud to have been a part of an organization that worked collectively toward common visions and goals. The Board thanked Mr. Ross for all of his efforts and years of service. Mr. Seymore moved to accept Mr. Ross’s resignation with extreme gratitude for a job well done. Mr. Klosowski supported the motion. The motion carried unanimously.

## **JUNE 28 & 29, 2000**

### **INVESTMENT MANAGERS' REPORT** (28<sup>th</sup>) p. 1

Mr. Seymore moved that the Executive Director notify The Townsend Group of the Board's desire to continue future investment in the timber industry with Hancock Timber Resource Group due to their past performance. Mr. Dennis Murphy supported the motion. The motion carried.

### **BOARD RESOLUTION HONORING KENNETH ROSS** (28<sup>th</sup>) p. 2

Mr. Seymore moved that the resolution honoring Kenneth Ross in extreme gratitude for a job well done be entered into the records. Ms. Kohut supported the motion. The motion carried.

### **COMERICA 500 INDEX FUND (PEP)** (29<sup>th</sup>) p. 2

Mr. Seymore moved to approve the Investment Committee's recommendation that \$100 million be moved from the current S&P 500 Index Fund managed by World Asset Management to Comerica 500 Index Fund (PEP) effective July 1, 2000. Mr. Johnson supported the motion. The motion carried. Mr. Dennis Murphy abstained.

## **EXPERIENCE STUDY—RECOMMENDED ASSUMPTIONS**

### **Actuarial Asset Valuation**

Mr. Seymore moved to remove the actuarial asset value discussion from the table. Supported by Mr. John Murphy. Motion carried

Mr. Seymore moved that MERS adopt the actuary's recommendation, effective with the December 31, 2000, Annual Actuarial Valuations, to re-establish the actuarial asset valuation at 95% of market value as cited on page 8 of the May 15, 2000 memo from Mr. Tom Dawidowicz. Supported by Mr. John Murphy. Motion carried in respect to the actuarial asset valuation method. (Minutes as corrected April 10, 2001.)

**JULY 18, 2000**

**ACTUARY'S REPORT – THE SEGAL COMPANY** p. 2

Mr. Dawidowicz referred to his memorandum dated July 11, 2000, regarding a transition plan for groups with high withdrawal rates to recognize the new assumptions over a three-year period.

Ms. Kohut moved to accept the Actuary's recommended transition plan for the group with high withdrawal rates to recognize the new assumptions over a three-year period. Mr. Seymore supported the motion. The motion carried.

Mr. Seymore moved to accept the Actuary's recommendation that there be no transitional plan for the divisions with low retirement rate. Ms. Wade supported the motion. The motion carried.

**LETTER OF RESIGNATION FROM OFFICER BOARD MEMBER, DONNA KOHUT** p. 2

Chairperson Walker read Ms. Kohut's letter of resignation. Mr. Klosowski moved to accept Ms. Kohut's letter of resignation with regrets. Mr. Seymore supported the motion. The motion carried.

**EXECUTIVE SESSION** p. 2

Mr. Dennis Murphy moved to go into executive session to discuss personnel matters. Mr. Seymore supported the motion. A roll call vote was taken as follows: Bruce Johnson—Yes, Raymond Klosowski—Yes, Donna Kohut—Yes, Dennis Murphy—Yes, Bruce Seymore—Yes, Kristen Wade—Yes, Dale Walker—Yes.

**OPEN SESSION CALLED BACK TO ORDER** p. 2

Chairperson Walker called the open session back to order. Ms. Kohut moved that the Chairperson be authorized to approve the proposed contract for the Executive Director effective August 1, 2000. Mr. Johnson supported the motion. The motion carried.

## AUGUST 23, 2000

### REAL ESTATE CONSULTANT'S REPORT – THE TOWNSEND GROUP p. (1)

Ms. Eileen Byrne reviewed the proposed asset allocation and real estate investment policy. Mr. Johnson moved to approve the Real Estate Investment Policy and Asset Allocation Strategy as amended. Ms. Kohut supported the motion. The motion carried.

### APPOINTMENT OF RETIREE BOARD MEMBER p. 2

During the discussion of candidates for the Board's retiree appointment, Mr. Seymore excused himself from the room. Mr. Johnson moved that Mr. Seymore be appointed by the Board as the designated Retiree Board Member. This is for a three-year term ending December 31, 2003. This will be presented to the 2000 Annual Meeting Delegates for their approval. Ms. Kohut supported the motion. The motion carried.

### CAPITAL EXPENDITURE REQUEST p. 2

Ms. Kohut moved to approve the Executive Director's recommendation to enter into a lease agreement with Gateway for a thirty (30) month period for a total of 19 computers. Mr. Seymore supported the motion. The motion carried.

### WITHDRAWAL AGREEMENT – CITY OF OWOSSO DIVISION #01 p. 2

Ms. Wade moved that approval be given to the MERS Withdrawal Agreement for a division of the City of Owosso to return to the City's retirement plan, and that the Executive Director be authorized to sign the Agreement on behalf of MERS; further, the Executive Director is authorized to direct the transfer to the City of Owosso plan market assets in excess of 115% of MERS retained actuarial accrued liabilities. Mr. John Murphy supported the motion. A roll call vote was taken as follows: Bruce Johnson—yes, Raymond Klosowski—yes, Donna Kohut—no, Dennis Murphy—no, John Murphy—yes, Bruce Seymore—no, Kristen Wade—yes, Dale Walker—yes. The motion carried.

### PLAN DOCUMENT REVISIONS p. 2-3

Mr. Seymore moved to approve the following Plan Document Revisions with prompt implementation of the amendatory package:

1. **Section 4(1) and 10(1)(b) and (4).** Periods of at least 12 months in which a participating municipality/court has made employer contributions on behalf of a member under MERS Benefit Program DC shall be counted towards satisfying:
  - defined benefit vesting service requirements under section 10(1)(b) [10, 8 or 6 year vesting], but not in the calculation of the retirement allowance; and
  - years of service requirements for "F" programs under section 10(4) [e.g., F55/25].

2. **Section 19A (12) and MERS Uniform Defined Contribution Program Resolution (revised paragraph (G) on page (4))** permit defined benefit service/defined contribution crediting for a MERS member who is converting to MERS defined contribution. This will be done by requiring that the defined contribution vesting schedule for employer contributions must include:
- Prior MERS defined benefit service of at least one (1) year [upon member claim and MERS verification];
  - Eligible Reciprocal Retirement Act time where the defined contribution-offering MERS participating municipality/court has adopted the Act [upon member claim and MERS verification]; or
  - Prior MERS defined contribution periods of coverage where a participating municipality/court has made at least 12 months of employer contributions on behalf of the member [upon member claim, and the third party administrator's verification to MERS within 48 hours of MERS' request].

Mr. Klosowski supported the motion. The motion carried

**STAFF OPERATIONS** p. 3

**MERS Certification of Delegates to the Annual Meeting.** – Ms. Wade moved to appoint Mr. Moquin as MERS' officer delegate to MERS' 2000 Annual Meeting and to certify the election held on August 3, 2000 of Ms. Lynda Fassett as the employee delegate and Ms. Karen Butka as the employee alternate delegate. Ms. Kohut supported the motion. The motion carried.

**Search for Defined Contribution Third-Party Administrator.** – Mr. Klosowski moved to approve the Executive Director's recommendation to send out a Request For Proposal this fall for a third-party administrator for the Defined Contribution Program. Mr. Johnson supported the motion. The motion carried.

**RESOLUTION HONORING DONNA KOHUT** p. 4

Chairperson Walker read a resolution honoring Ms. Kohut. Mr. Seymore moved to adopt the resolution honoring Ms. Kohut. Mr. Johnson supported the motion. The motion carried.

## **SEPTEMBER 19 & 22, 2000**

### **MAPERS** (19<sup>th</sup>) p. 1

Mr. Seymore moved that Ms. Wagner and Mr. Klosowski represent MERS as the Official Delegates and Mike Moquin as the Alternate at the MAPERS 2000 Fall Conference to be held in Bellaire, Michigan, on September 30 to October 3. Mr. Dennis Murphy supported the motion. The motion carried.

### **2001 BOARD MEETING DATES REVISED** (19<sup>th</sup>) p. 1

Mr. Seymore moved to approve the revised board meeting schedule. Mr. Dennis Murphy supported the motion. The motion carried.

### **MILLER v MERS AND OXFORD EMERGENCY SAFETY AUTHORITY** (19<sup>th</sup>) p. 2

Mr. Seymore moved to deny the petitioner's request for oral argument before the Board due to lack of jurisdiction. Mr. Klosowski supported the motion. The motion carried.

Mr. Klosowski moved to approve the Findings of Fact, Conclusions of Law and the Proposed Decision in the matter of Daniel R. Miller, Petitioner v MERS and the Oxford Emergency Safety Authority, Respondents in the Proposal For Decision dated July 18, 2000 by Administrative Law Judge, Elizabeth R. Schwartz, that the Petitioner's application be rejected for lack of jurisdiction. Mr. Dennis Murphy supported the motion. The motion carried.

### **BRISTOW v MERS** (19<sup>th</sup>) p. 2

Ms. Wade moved to approve the Findings of Fact, Conclusions of Law and the Proposed Decision in the matter of Rosann Bristow, Petitioner v MERS, Respondent in the Proposal For Decision dated July 18, 2000 by Administrative Law Judge, Elizabeth R. Schwartz, that the petition be denied. Mr. Dennis Murphy supported the motion. The motion carried.

### **STAFF OPERATIONS** (19<sup>th</sup>) p. 2-3

**Insurance Information** – Mr. Seymore moved to approve staff's recommendation for insurance coverage found on the Coverage Summary provided by C.M. Althoff Company dated August 25, 2000 through August 25, 2001. Mr. Dennis Murphy supported the motion. The motion carried.

**MERS' Home Office** – Mr. Dennis Murphy moved to authorize CB Richard Ellis/Martin, upon approval of General Counsel and the Executive Director as to form and content, to submit an offer to purchase approximately 4 acres within Capitol Commerce Center for construction of the MERS home office. This purchase will become part of MERS' Real Estate Portfolio. Mr. Seymore supported the motion. The motion carried.

**Legal Update** – Mr. Moquin informed the Board of a preliminary response received from the Internal Revenue Service. The IRS is not inclined to approve MERS' request to use employer assets in excess of 115% of actual accrued liabilities (Plan Section 46B, adopted contingent on IRS approval) to make employer DC contributions for its MERS members. Upon review with tax counsel, Mr. Moquin's opinion is that the IRS's position is not well taken. For this reason, it is recommended that the matter be appealed to the IRS. A conference with the IRS will be scheduled in Washington, DC in October. MERS municipalities, who are "overfunded," were the requesters of Plan Section 46B and the number of such municipalities continues to grow with MERS.

Mr. Dennis Murphy moved that Mr. Moquin proceed with the IRS appeal to resolve the current issue with the IRS. Ms. Wade supported the motion. The motion carried.

**APPOINTMENT OF CHAIRPERSON PRO TEM** (22<sup>nd</sup>) p. 8

Mr. Seymore nominated Ms. Wade as Chairperson Pro Tem to fill the position that was vacated when Ms. Kohut retired. Mr. Klosowski supported the motion. The motion carried.

**BOARD MEMBERS APPOINTED** (22<sup>nd</sup>) p. 8

Mr. Seymore moved that Ms. Barbara Fandell, Employee Board Member, and Mr. Gary Murphy, Officer Board Member, be appointed to the MERS Board effective September 22, 2000, to fill the remainder of the unexpired term of Ken Ross and Donna Kohut respectively through December 31, 2000. Mr. Dennis Murphy supported the motion. The motion carried.

## October 11 & 12, 2000

### MERS' HOME OFFICE (11<sup>th</sup>) p. 1

Mr. Seymore moved to go into closed session to discuss a real estate matter. Mr. G. Murphy supported the motion. A roll call vote was taken: Kristen Wade—yes, Barbara Fandell—yes, Bruce Johnson—yes, Raymond Klosowski—yes, Dennis Murphy—yes, Gary Murphy—yes, John Murphy—yes, Bruce Seymore—yes, Dale Walker—yes.

The open session was called back to order. Mr. Seymore moved to accept the counter offer for the Land Equities parcel and preliminarily to proceed with plans for the construction of a 26,000 square foot building on the terms discussed in closed session. Mr. Klosowski supported the motion. The motion carried.

### INVESTMENT COMMITTEE REPORT (11<sup>th</sup>) p. 2

Ms. Wagner referred to her memorandum dated October 5, 2000 regarding the Investment Committee's recommendations. Mr. Johnson moved the Investment Committee recommendation to approve Western Asset Management's request to allow MERS participation in various Limited Liability Companies (LLC) that they offer; further to approve the Investment Committee recommendation that the additional amount required to bring the real estate allocation up to the 5% level be drawn from the Wellington Management large cap equity portfolio on an as needed basis. Mr. Seymore supported the motion. The motion carried.

### MERS SEPARATION AGREEMENT—OXFORD POLICE, FIRE & EMS COMMISSION

(12<sup>th</sup>) p. 2

Mr. Moquin referred to his memorandum dated October 4, 2000 regarding MERS Separation Agreement – Oxford Police, Fire & EMS Commission. Mr. Seymore moved to approve the MERS Separation Agreement and that the Executive Director sign the Agreement on behalf of MERS; further, General Counsel will be responsible for overall supervision under the Separation Agreement of the rollover process and adherence to the 115% retention requirement for MERS-retained closed Division #01 actuarial accrued liability after such rollovers, and advising Finance and the Benefits Departments of the same along with the assets remaining in ongoing Division #05. Mr. Klosowski supported the motion. The motion carried.

### MICHIGAN JUDGES ASSOCIATION REQUEST (12<sup>th</sup>) p. 3

Mr. Moquin referred to his memorandum dated October 5, 2000 regarding MERS covered judges, and to a letter dated October 4, 2000 regarding Judges' Retirement Election/MERS Covered Judges from Mr. Barry Howard, President, Michigan Judges Association. Mr. Dennis Murphy moved to approve General Counsel's recommendation, under special circumstances pertaining to the JRS conversion process involving all Michigan judges, that the MJA request be granted under the terms stated in Mr. Howard's October 4, 2000 letter to Mr. Moquin. Mr. Gary Murphy supported the motion. The motion carried.

November 8, 2000

**ROBERT CARNEY v MERS and COUNTY OF MUSKEGON** (p. 4)

Chairperson Pro Tem Wade introduced Mr. Walter O'Neil and Mr. John Karafa from Muskegon County. Chairperson Pro Tem Wade then recused herself from further participation, as she is an employee of Muskegon County. Ms. Wade passed the gavel to Mr. Bruce Seymore to preside over this matter.

Mr. Moquin directed the Board's attention to the material provided regarding the Petitioner's request for non-duty disability retirement benefits, the administrative hearing and, subsequent Hearing Officer's Proposal for Decision. He further commented that Mr. John Karafa, Attorney for Muskegon County has requested oral argument before the Board; if granted, such argument per Board policy would occur at the December Board meeting.

Mr. John Murphy moved to allow Mr. John Karafa, Attorney from Muskegon County and Mr. Thomas Petroni, Attorney for Respondent MERS, to speak as to why the Board should or should not hear oral argument at the December Board meeting on Robert Carney v MERS & County of Muskegon. Mr. Gary Murphy supported the motion. A roll call vote was taken as follows: Kristen Wade—abstained, Bruce Johnson—yes, Raymond Klosowski—yes, Dennis Murphy—yes, Gary Murphy—yes, John Murphy—yes, Bruce Seymore—no. The motion carried.

Mr. Karafa was allowed to address the Board as to why it should hear additional oral argument in this case. Mr. Petroni followed with his presentation to the Board as to why additional oral argument should not be heard in this case.

Mr. Klosowski moved to deny the request to allow additional oral argument at the December Board meeting in the matter of Robert L. Carney v MERS and County of Muskegon. Mr. Dennis Murphy supported the motion. A roll call vote was taken as follows: Kristen Wade abstained, Bruce Johnson—no, Raymond Klosowski—yes, Dennis Murphy—yes, Gary Murphy—yes, John Murphy—yes, Bruce Seymore—yes. The motion carried.

Mr. Dennis Murphy moved to approve the Findings of Fact, Conclusions of Law and the Proposed Decision in the matter of Robert L. Carney, Petitioner v MERS and County of Muskegon, Respondents in the Proposal for Decision dated September 15, 2000 by Administrative Law Judge, Elizabeth R. Schwartz, that the Petitioner's application for non-duty disability retirement benefits be approved. Mr. Gary Murphy supported the motion. The motion carried unanimously with Kristen Wade abstaining.

Mr. Seymore then passed the gavel back to Ms. Wade, Chairperson Pro Tem.

**BUDGET 2001** (p. 4-5)

Ms. Wagner reviewed the process of arriving at the proposed budget and thanked the Board's Budget Committee, John Murphy, Bruce Seymore, and Dale Walker for their valuable involvement in the process. Ms. Wagner then referred to the Budget Rules Resolution developed by the Budget Committee at its October 30, 2000 meeting. The committee recommends the rules be adopted by the full board.

Mr. Seymore moved to approve the amended Budget Rules Resolution as recommended by the Budget Committee. Mr. John Murphy supported the motion. A roll call vote was taken as follows: Bruce Johnson—yes, Raymond Klosowski—yes, Dennis Murphy—yes, Gary Murphy—no, John Murphy—yes, Bruce Seymore—yes, Kristen Wade—yes. Motion carried.

Ms. Marian Frane provided general information about the 2001 budget. MERS' department directors were given the opportunity to answer questions from the Board on their requested department budgets.

The Board asked that the Budget be brought back at the December Board meeting with suggested modifications.

**PLAN AMENDMENT REQUEST—Sec 32(2)** (p. 5)

Mr. Dennis Murphy moved to approve the following change to Sec 32(2) of the MERS Plan Document:

Add the words “**or benefit**” to Section 32(2) which will read as follows:

- (2) Contribution programs selected before January 2, 1985 under former Act No. 135 of the Public Acts of 1945 shall continue to be applicable until a different contribution **or benefit** program is selected.

Mr. Gary Murphy supported the motion. The motion carried.

**SEPARATION AGREEMENT—BUTMAN TOWNSHIP** (p. 5)

Mr. Moquin referred to his memorandum dated October 27, 2000 regarding MERS Separation Agreement—Butman Township (Muni #2604). Mr. Seymore moved to approve the MERS Separation Agreement with Butman Township and that the Executive Director be authorized to sign the Agreement on behalf of MERS. Mr. Johnson supported the motion. The motion carried unanimously.

## December 19, 2000

### Status Report: Home Office Project/Martin Property Development (p. 1)

Ms. Wagner reported that she and Mr. Moquin met with John Peckham, Martin Development, to review the bids submitted by architects (solicited by Martin on a request for proposal) for the home office project. Four proposals were submitted: Hobbs & Black Associates, Integrated Architecture, Keystone Design Group and Peabody Group. Mayotte Jacob declined to bid. Hobbs & Black and Integrated Architecture were selected after the review to make final presentations.

Ms. Wagner recommended that the Board approve the building committee, consisting of Dale Walker, Bruce Seymore, and Dennis Murphy, to select the architect for the building. Ms. Wade moved to approve the recommendation. Ms. Fandell seconded. Motion carried.

Ms. Wagner recommended the following course of action on the actual construction of the building: approval by the Board on 1) the site plan, 2) building elevation including the architect's design, and 3) the budget for the project; designated staff would a) make the day-to-day decisions with the property management group, and, b) apprise the Board of all progress no less than monthly via verbal/written reports or e-mail. Mr. Seymore moved to approve the course of action on the project as recommended by the Executive Director. Mr. Klosowski supported. Motion carried. Chairperson Walker appointed Mr. Gary Murphy to serve on the building committee.

### BUDGET 2001 (p. 2)

Mr. Seymore moved that the budget resolution be approved as amended. Mr. Dennis Murphy supported. Mr. Gary Murphy moved to amend the motion by removing the \$170,000 from the category labeled "Other operating expenses" in the operations budget. Mr. Dennis Murphy supported. Roll call vote on the amendment: Kristen Wade—no, Barbara Fandell—no, Raymond Klosowski—yes, Dennis Murphy—yes, Gary Murphy—yes, Bruce Seymore—no, Dale Walker—no. Motion denied. Mr. Gary Murphy moved to amend the salary budget for new positions by reducing it \$60,000. This would approve the positions and allow three months of salary to coincide with filling the positions after or shortly before moving to the new building. Mr. Klosowski supported. Motion carried. Question: The motion to approve the budget resolution. Motion carried.

ADDITIONAL MERS EMPLOYEE PTO AND HOLIDAYS (p. 2)—A survey from participating municipalities was undertaken by Administrative Services Director Ronald Beaton to compare holiday and paid time off (PTO) to the current MERS benefit. The Executive Director requests accrual of PTO of two additional days after an employee's four year anniversary of service with the system and two additional holidays: Martin Luther King's Day and Veteran's Day. Mr. Seymore moved to approve the Executive Director's recommendation for additional employee PTO and holidays. Ms. Fandell supported. Motion carried.

### SEGAL CONTRACT EXTENSION (p. 2)

The Segal Company agreed to accept MERS' proposal to exercise the first of three one-year extensions allowed in the current contract with a 5% fee increase. In addition, discussion would continue regarding establishing a new three year contract with a time frame of the second quarter 2001. Mr. Gary Murphy moved to accept the proposed one-year extension for The Segal Company as proposed by the Executive Director. Ms. Wade supported. Motion carried.

### **AUDITOR CONTRACT – 2001 RECOMMENDATION** (p. 3)

Two bids were submitted to MERS from accounting firms for the audit contract based on the RFP sent out by Finance Director, Marian Frane in October. After reviewing the bids, the Executive Director recommends approval for a three [sic “year”] contract with Andrews Hooper & Pavlik. Mr. Dennis Murphy moved to approve the recommendation. Mr. Seymore supported. Motion carried.

### **ANNIE G. BOTTRELL v MERS** (p. 3)

Mr. Dennis Murphy moved to approve the findings of fact and conclusions of law in the Proposal for Decision in the matter of Annie G. Bottrell v MERS in the Proposal for Decision dated the 11<sup>th</sup> day of October 2000 by Administrative Law Judge Elizabeth Schwartz. Mr. Seymore supported. Motion carried.

### **STAFF OPERATIONS** (p. 3)

- **Revised Board Meeting Schedule**—Bay Valley Resort is correct for the July meeting, not Bay Village. There were not changes in dates. The January, February and March meetings will be changed to start at 10:30 a.m. Mr. Klosowski moved to accept the revised Board meeting schedule for 2001. Mr. Gary Murphy supported. Motion carried.
- **General Counsel Personnel Status**—The Executive Director recommends that the Board remove General Counsel, Mr. Michael Moquin, from contract status and confer to him full employment status. Mr. Gary Murphy moved the recommendation. Mr. Dennis Murphy seconded. Motion carried.
- **2002 Annual Meeting**—A comparison of costs between the Amway Grand Hotel in Grand Rapids and the Grand Traverse Resort was presented. The dates for the Amway Grand have changed from October to September 18-20. Following discussion, Mr. Seymore moved to approve the Amway Grand for the 2002 Annual Meeting. Ms. Wade supported. Motion carried.
- **Adoption of Benefit E Program for Employees**—The proposal for adopting the E benefit as costed by Segal was presented to the Board. Following a brief discussion, Mr. Dennis Murphy moved to adopt the Benefit E Program for retired MERS employees. Mr. Klosowski supported. Motion carried.

**Legal Update**—Mr. Moquin inquired as to whether the Board wished to respond to Mr. Dembowski’s presentation on bonding options for the new MERS building by contacting Delta Township’s EDC. Mr. Seymore moved to authorize Mr. Moquin to represent MERS in proceeding with notice of intent to issue bonds for the new building to timely preserve MERS’ options. Mr. Dennis Murphy supported. Motion carried. The rationale for building the home office in or out of the real estate portfolio will be presented at the January meeting.

**END OF 2000 MOTIONS**