



MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF MICHIGAN
BOARD MINUTES
MERS Home Office
December 6, 2018

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**MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF MICHIGAN
BOARD MEETING MINUTES
MERS Home Office
December 6, 2018**

BOARD MEMBERS PRESENT

Jason Sarata, Vice Chair
Tina Butler
Michael Gilmore
Amy Deford
Dale Feldpausch
John Ogden
James Wiersma
Randy Girard (phone)

Michael Brown, Chair (on phone 8-9:30 a.m.)

MERS STAFF/OTHERS PRESENT

Chris DeRose, Chief Executive Officer
Pam Steffy, Board Secretary
Leon Hank, Chief Financial Officer
Denise Boucké, Chief Operating Officer
Carrie Lombardo, Chief Strategic and External Affairs
Officer
Jeb Burns, Chief Investment Officer
Pat Tarini, General Counsel
Kristin Bellar, Senior Deputy General Counsel
Brian LaVictoire, Deputy General Counsel
Betsy Waldofsky, Finance Director
Carri Simon, Internal Auditor
Brad Biladeau, Government Affairs Director
Mike Charette, Director of Public Markets
Jennifer Mausolf, Communications and Retirement
Strategies Director
Jen Wyble, Analysis & Project Director/Business
Management BPO
Mike Schrauben, Senior Investment Officer and
Portfolio Manager
Erin Boertman, Customer Relations Director
David Kausch, GRS Consulting

Call to Order

Vice Chairperson, Jason Sarata, called the meeting of the MERS Retirement Board to order at 8:05 a.m. on Thursday, December 6, 2018.

Public Audience

Stephen Delie and Kyle O'Mera of Fahey, Schultz, Burzych and Rhodes law firm were in attendance.

Old Business

Ms. Boucke', Chief Customer Service Officer, and Ms. Leach, Human Resources Director, met with the Board to complete a review of the CEO's Year End Performance through a formal evaluation process. Based on his performance and a comparison of his current compensation to similar positions in similar industries and with the continued goal of adjusting his salary to 125% full market value compa ratio.

Vice Chairperson, Jason Sarata, moved to adjust the CEO's salary by 4.22% merit increase effective January 1, 2019 putting his salary at 125% full market value comp to compa ratio and a 45% lump sum bonus to be awarded year end 2018 based on performance. Motion supported by Ms. Butler. Motion carried.

General Consent Agenda

Mr. Wiersma moved to approve the December 6, 2018 General Consent Agenda; supported by Ms. Deford. Motion carried.

New Business

Vesting Certificate

Vice Chairperson, Jason Sarata presented Chris DeRose, CEO, his six year vesting certificate.

CEO Report

Mr. DeRose presented the CEO Report on:

- Strategic and External Affairs
- Internal Operations
- Investments
- Finance Activities
- Board Assessment
- Employee Communication

Balanced Scorecard Targets

Ms. Lombardo, Chief Strategic and External Affairs Officer, and Ms. Mausolf, Communications and Retirement Strategies Director, discussed the November 15, 2018 Memorandum to the MERS Retirement Board recommending proposed recommendations to the Balanced Scorecard Targets.

After review and discussion, Mr. Gilmore moved to adopt the metric recommendations as defined in the memorandum and directs staff to take any and all necessary actions required for its implementation; supported by Ms. Butler. Motion carried.

Appointment of Retiree Member of the MERS Board

Mr. DeRose, CEO, discussed the October 9, 2018 Memorandum to the Retirement Board regarding the MERS Retiree Board Member position, advising the Board that the term of Mr. Ogden, Retiree Board Member, expires on December 31, 2018.

Mr. Wiersma made a motion to re-appoint Mr. Ogden, Retiree Board Member, to a three year term commencing January 1, 2019; supported by Ms. Deford. Motion carried. Mr. Ogden did not participate in the discussion or vote on this matter.

2019 Board Meeting Calendar

Ms. Butler moved to approve the 2019 MERS Board Meeting Calendar; supported by Mr. Gilmore. Motion carried.

2019 Budget process and approval

Mr. Hank, Chief Financial Officer, and Ms. Waldofsky, Finance Director, discussed the November 26, 2018 Memorandum to the MERS Retirement Board regarding the 2019 Budget.

Upon recommendation of the Budget Committee at its November 7, 2018 conference call, Mr. Feldpausch made a motion; supported by Mr. Ogden to approve the 2019 Budget as follows:

Total 2019 Budget Expenses	\$46,940.904
Capital Asset Expenses	\$5,979,500

Motion carried.

Experience Study

Mr. Hank, Chief Finance Officer, and Ms. Waldofsky, Finance Director, presented the Experience Study: Economic Assumptions Update.

After review and discussion, the Board instructed staff to provide information on the Investment Return Assumptions at the January conference call.

Investments Report

Mr. Burns, Chief Investment Officer, provided the MERS portfolio performance update for the period ending October 31, 2018.

Investment Policy Statements/Investment Guidelines

Mr. Burns, Chief Investment Officer, discussed the November 26, 2018 Memorandum to Chris DeRose, CEO, regarding the proposed updates to the Investment Policy Statements and the Investment Guidelines, and the approval process for the Board adoption.

Valuation Based Allocation

Mr. Burns, Chief Investment Officer, and Mr. Schrauben, Senior Investment Officer and Portfolio Manager, reviewed with the Board the Valuation Based Allocation: Methodology, Implementation, and Expectations paper.

Mr. Wiersma made a motion to support a Valuation Based Allocation approach; supported by Mr. Gilmore. Motion carried.

Shirine Patman v MERS

In the matter of Shirine Patman v MERS, Mrs. Tarini, General Counsel, reviewed with the Board the background of this matter.

After review and discussion, Ms. Butler made a motion that the Board accept and adopt as its own the Findings of Fact and Conclusions of Law as stated by the Administrative Law Judge in the Proposal for Decision, and deny petitioner's appeal; supported by Ms. Deford. Motion carried.

Charter Township of Flint (re: Needham) v MERS

In the matter of Charter Township of Flint (re: Needham) v MERS, Mrs. Tarini, General Counsel, reviewed with the Board the background of this matter.

After review and discussion, Mr. Ogden made the motion that the case be remanded to the ALJ for completion of the following:

- Mr. Needham will undergo a new in-person independent psychiatric examination (IPE), which will include a record review of all of the records reviewed by the previous independent psychiatric examiners;
- Upon completion of the IPE, the examiner will provide his/her report to MMRO for consideration by MMRO's Clinical Escalation Committee and completion of an addendum to MMRO's report regarding Mr. Needham's disability status;
- MMRO's report shall be provided to MERS for review and assessment of the status and next steps.

Ms. Deford supported the motion. Motion carried.

Gertsberg v MERS

In the matter of Maya Gertsberg v MERS, Mrs. Tarini, General Counsel, reviewed with the Board the background of this matter.

After review and discussion, Mr. Wiersma made a motion that the Board accept and adopt as its own the Findings of Fact and Conclusions of Law as stated by the Administrative Law Judge in the Proposal for Decision, and deny petitioner's appeal; supported by Mr. Ogden. Motion carried.

2019 Internal Audit Plan

Ms. Simon, Internal Auditor, discussed the November 26, 2018 Memorandum to the MERS Retirement Board regarding the 2019 Internal Audit Plan. Mr. Wiersma moved that the Board approve the 2019 Internal Audit Plan; supported by Mr. Ogden. Motion carried.

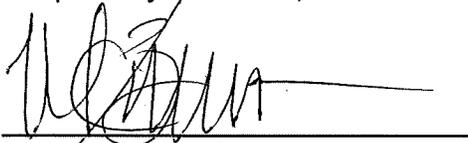
Internal Auditor meets with Board

The Board excused staff and met with Ms. Simon, Internal Auditor, to ensure there was a direct communication between the Board and the Internal Auditor.

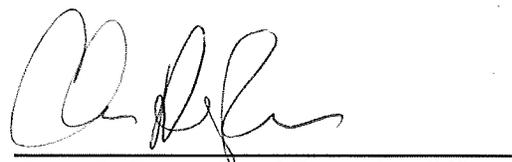
Adjournment

Meeting adjourned at 2:30 p.m.

Respectfully submitted,



Michael Brown, Chairperson



Chris DeRose, Chief Executive Officer