

# **MUNICIPAL EMPLOYEES' RETIREMENT BOARD**

## **1998 Motions**

### **JANUARY 21 AND 22, 1998**

#### **BOARD REORGANIZATION** (21st) p. 1

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

Chairperson Walker declared the floor open to nominations for Chairperson Pro Tem. Mr. Todd nominated Mr. Ross for Chairperson Pro Tem. Mr. Seymore supported the motion. After requesting further nominations and hearing none, Mr. Walker recommended that nominations be closed. Mr. Seymore moved that nominations be closed, and a unanimous ballot be cast for Mr. Ross. Mr. Birgbauer supported the motion. The motion carried unanimously.

#### **APPROVAL OF BOARD MINUTES - DECEMBER 17 & 18, 1997** (21st) p. 2

Mr. Seymore moved to approve the minutes from December 17 & 18, 1997 board meeting as presented. Mr. Ross supported the motion. The motion carried unanimously.

#### **1998 BUDGET AND MERS EMPLOYEE BENEFITS** (21st) p. 2-3

Mr. Lindsay reviewed the 1998 Budget and MERS Staff Benefit and Compensation Proposal Highlights dated January 14, 1998. Recommendations for Personnel Services include: 3% increase in salary classification levels over 1997, addition of three staff members, and a change in the number of paid leave days off and paid holidays off.

PAID LEAVE/PAID HOLIDAY POLICY - Ms. Kohut then commented that the information before the Board was a result of discussion between committee members (Ms. Kohut, Mr. Todd, and Ms. Wade), Mr. Lindsay and Mr. Beaton. She further stated that the committee quickly agreed upon the 3% increase in salary classification levels, but a more lengthy discussion ensued regarding paid leave. The committee deemed that additional paid leave was appropriate given sick days were not provided in the present policy. However, it was the committee's desire to keep paid leave simplified. Instead of providing paid vacation days, sick days, personal days and birthdays, a generic paid leave concept was agreed upon by the committee. Generic paid leave also allows employees to choose their time off rather than tying them to a specific day that the office would have to be closed if paid vacation days were increased.

The Committee responded to questions and outlined their recommendations. Mr. Todd moved that the following Paid Leave/Paid Holiday policy be approved effective January 1, 1998:

<u>1998 PAID LEAVE</u>			<u>** 1998 PAID HOLIDAYS</u>
<u>Completed</u> <u>Yrs of Serv</u>	<u>*Bi-Weekly</u> <u>Accrual of Hrs</u>	<u>Annual Paid</u> <u>Leave in Days</u>	
0 - 4	5.83	19	New Year's Day
5 - 9	7.36	24	Memorial Day
10+	8.89	29	Independence Day
			Labor Day
			Thanksgiving Day
			Friday following Thanksgiving
			Christmas Eve
			Christmas Day
			New Year's Eve

\*No leave shall accrue during a bi-weekly pay period that an employee does not receive compensation from MERS. Compensation for this purpose does not include short-term disability, long-term disability, or worker's compensation payments. Further, at the end of each calendar year (or at retirement or termination of employment at MERS), that number of accrued hours in excess of 220 shall be forfeited. Leave will accrue at 5.83 hours per pay period for new employees during the six-month probationary period, but will not be creditable for any purpose until satisfactory completion of the sixth month.

\*\*Should a holiday fall on a Saturday, it will be observed on the preceding work day. Should a holiday fall on a Sunday, it will be observed on the following work day.

Funeral Leave Policy (Unchanged) - Each year employees will receive up to three (3) days leave to attend the funeral of an immediate family member. Employees will receive one (1) day leave to attend the funeral of a grandparent or grandparent-in-law.

The motion was supported by Ms. Kohut. The motion carried.

3% SALARY INCREASE - After discussion, Mr. Seymore moved to approve the 3% salary increase for staff effective January 1, 1998 with the understanding that any future increase brought before the Board would be in the form of a total compensation package. Mr. Ross supported the motion. The motion carried unanimously.

Mr. Lindsay suggested that necessary changes to the Employee Personnel Manual be reviewed by a board committee working together with staff. Chairperson Walker then requested that Ms. Kohut, Ms. Wade, and Mr. Todd continue to work with staff to review and revise the Employee Personnel Manual.

Mr. Lindsay also reviewed proposed staffing changes.

NEW ACCOUNTANT POSITION - After discussion, Mr. Todd moved that the new accountant position be approved. Ms. Wade supported the motion. The motion carried unanimously.

NEW MARKETING REPRESENTATIVE - After discussion, Ms. Wade moved that the new marketing representative position be approved. Mr. Todd supported the motion. The motion failed.

IN-HOUSE LEGAL COUNSEL POSITION FULL TIME/ADD ONE JUNIOR LEVEL ATTORNEY - After discussion, Mr. Birgbauer moved that the current in-house legal counsel position become full-time but that an additional attorney not be added at this time. Mr. Todd supported the motion. The motion failed.

Further discussion ensued and Ms. Kohut moved that legal counsel be retained at the current 30 hours per week and that junior counsel be hired at an amount not to exceed \$60,000 in total compensation. Mr. Todd supported the motion. After a lengthy discussion, Ms. Kohut moved to table the motion. Mr. Seymore supported the motion. The motion carried.

**EATON COUNTY SETTLEMENT AGREEMENT** (22nd) p. 5

Mr. Moquin stated that the final executed copy of the Eaton County Settlement Agreement that was last before the Board on December 18, 1997 and signed by the Chairperson, is before the Board in its final form as approved by all parties. He brought to the Board's attention two minor changes to the document since it was last before the Board. Paragraph 18, page 9 of the Settlement Agreement has verbiage added by the County and the three Unions that there shall never be collectively bargained the additional 1% contribution that each of the three Unions have provided. On page 11, (ii) language added by the County and the three Unions states that, as a result of collective bargaining, arbitration, mediation or other order, the total contribution rates of the County and a Unit may be reallocated so long as 100% of their required rate exists. These two changes do not affect MERS' interests.

Ms. Kohut moved to approve the Eaton County Settlement Agreement. Mr. Johnson supported the motion. The motion carried unanimously. Mr. Moquin advised that the Proposed Settlement Agreement would shortly be submitted by the County to the Kalamazoo Circuit Court, for entry of Orders dismissing the two lawsuits.

**CLOSED SESSION** (22nd) p. 5

Mr. Klosowski moved that the Board go into closed session to consult with the Board's attorney to review closed session minutes regarding pending litigation issues concerning Eaton County where an open meeting would have a detrimental financial effect on the litigating or settlement position if discussed in an open meeting. Ms. Wade 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** (22nd) p. 6

**CLOSED SESSION MINUTES** (22nd) p. 6

Mr. Seymore moved to approve the Closed Session Minutes regarding Eaton County and pending litigation. Mr. Ross supported the motion. The motion carried unanimously.

**SUPPLEMENTAL & INITIAL VALUATIONS UPDATE-THE SEGAL COMPANY** (22nd) p. 6

Mr. Dawidowicz provided the Board with the following information regarding supplemental and initial valuation requests that have been received since January 1, 1997. The information given is in terms of calendar weeks.

- 82 initial valuations have been completed with an average turn around time of 5.8 weeks. There are currently 9 in-house waiting completion.
- 252 supplemental valuations have been completed with an average turn around time of 2.8 weeks. There are currently 21 in-house waiting completion.

Mr. Seymore moved to approve the Supplemental & Initial Valuations Update. Mr. Ross supported the motion. The motion carried unanimously.

**1998 BUDGET CONTINUED** (22nd) p. 6-7

Mr. Seymore moved to take Ms. Kohut's motion regarding legal counsel off the table. Mr. Birgbauer supported the motion. The motion carried. Ms. Kohut withdrew her motion regarding legal counsel and Mr. Todd withdrew his support.

Mr. Moquin reviewed with the Board: his background of 21 years as an attorney, with 18 years as an Assistant Attorney General, the last seven of which involved representing and counseling all the State retirement systems including MERS; his involvement in the unique legal matters of the MERS independence legislation, separation and transition from State government as an independent public corporation; his expanding role as legal counsel; and, some of the different tasks and increasing workload he has been involved with during the past year.

After discussion, Mr. Ross moved to retain legal counsel in a full time position at a salary of \$115,000 a year and hire an additional attorney on a 20 hour work week contract basis to work for six months and that the position be reviewed at the end of the six months. Mr. Johnson supported the motion. The motion carried unanimously.

Mr. Todd moved to approve the 1998 total proposed budget of \$14,740,000 with the following modification: The budget will be adjusted downward for the related salary and fringes pertaining to the elimination of the proposed new marketing representative and new staff attorney position. The addition on a trial basis of the legal counsel contract position to reflect a 20 hour a week, 6 month contract in the amount of \$15,000. Mr. Ross supported the motion. The motion carried unanimously.

**FEBRUARY 25 AND 26, 1998**

**SUBSCRIPTIONS** (25th) p. 4

Mr. Lindsay inquired if the Board was interested in having a policy that addressed subscriptions for

board members.

After general discussion, Mr. Todd moved that as a matter of policy, board members could select one subscription per year to an investment or pension administration publication, as approved by the Executive Director, not to exceed \$450 per year. Mr. Johnson supported the motion. The motion carried unanimously.

**ALLOCATION OF UNDISTRIBUTED INVESTMENT INCOME** (25th) p. 4

Mr. Lindsay provided the Board with a recommendation for an additional allocation of undistributed investment income after required distributions. Distributions to the Reserve for Employee Contributions are made at 4%, distributions to the Reserve for Employer Contributions are made at 8%, and distributions to the Reserve for Retired Benefit Payments are made at 8%.

After discussion, Mr. Seymore moved to authorize an additional December 31, 1997 distribution to the Reserve for Employer Contributions at an allocation rate which will result in an ending December 31, 1997 balance in the Reserve for Undistributed Income in an amount approximating \$200 million, after the required distributions are made according to Section 52 of the MERS Plan Document. Ms. Kohut supported the motion. The motion carried unanimously.

**REQUESTED CHANGES TO THE MERS PLAN DOCUMENT** (25th) p. 4-6

**1. (Section 29(1)) Limitation on considered income and the disability allowance in effect until age 60** - Mr. Moquin stated that at the November 12, 1997 board meeting, staff was directed to provide information on the impact of deleting the age 60 considered income limitation for disability retirees.

After discussion of Mr. Moquin's February 16, 1998 memorandum, Mr. Todd moved that effective immediately, Section 29(1) of MERS Plan Document be amended as follows:

Section 29. Provisions Applicable During Period Between Effective Date of Disability Retirement Allowance and Date Disability Retirant Attains Age 60, **OR WHERE ADOPTED BY RESOLUTION, THE AGE FOR AGE AND SERVICE RETIREMENT.**

(1) This section shall apply during the period between the effective date of retirement allowance arising from disability retirement under section 24 and the date the disability retiree attains age 60. **AS AN ALTERNATIVE TO AGE 60, WHERE PROVIDED FOR BY RESOLUTION OF THE GOVERNING BODY OF THE PARTICIPATING MUNICIPALITY OR BY ADMINISTRATIVE ORDER OF THE CHIEF JUDGE OF A PARTICIPATING COURT FILED WITH THE RETIREMENT BOARD, THERE MAY BE ADOPTED INSTEAD FOR ALL CURRENT AND FUTURE DISABILITY RETIREES THE AGE REQUIRED FOR AGE AND SERVICE RETIREMENT UNDER THE BENEFIT PROGRAM IN EFFECT ON THE DATE THE DISABILITY RETIREE CEASED TO BE PAID SO LONG AS THE SERVICE REQUIREMENT WAS MET ON SUCH DATE.**

Application of the limitation shall be to the amount of retirement allowance under form of payment SL. The effect of an election of any other form of payment shall be taken into account after application of this section.

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

**2. (Section 2B(3)) Relinquishment or termination of MERS membership - member of governing body** - Mr. Moquin commented that several inquiries have recently been made by municipal officials who are MERS' members, and who wish to be able to voluntarily relinquish or terminate all MERS benefit rights, whether vested or not. After discussion, of Mr. Moquin's February 12, 1998 memorandum, Mr. Seymore moved that effective immediately, Section 2B (3)(a) of MERS Plan Document be amended as follows:

Section 2B. Definitions; M to P.

(3) "Municipal employee" means an individual who is paid compensation for personal services rendered for a participating municipality. Payment of compensation by a hospital, board, commission, public corporation, or instrumentality created by a municipality is considered payment by the municipality. Municipal employee does not include any of the following:

(a) The mayor, village president, or a member of the governing body of a participating municipality, unless the individual files a written application for membership with the retirement system. **By written election in the form prescribed by MERS, and signed by the member's spouse, a member whose membership exists by virtue of having filed an application for membership under this subsection (3)(a) may irrevocably elect to be excluded from membership (and any membership rights or benefits arising from service under this subsection) under the following conditions:**

- (1) The election is made while the member occupies a position under this subsection (3)(a).**
- (2) For the period in which the member has occupied a position under this subsection (3)(a), the member shall be paid the member's accumulated contributions, if any, and all credited service for the period shall be forfeited in all cases.**
- (3) The individual shall not again become a member of the retirement system on account of occupying a position under the subsection (3)(a) for the same municipality.**
- (4) The individual's forfeited credit service and any service rendered the participating municipality during any time the individual was excluded from membership shall never be reinstated or credited to the individual under Section 4 or 6, or for any other purpose under the Plan Document.**

Mr. Todd supported the motion. Motion carried unanimously.

#### **STAFF OPERATIONS** (25th) p. 6

Mr. Seymore noted that information in the January 1998 *MERS Pension Review* Newsletter incorrectly reflected that he was elected for a one year term - not a three year term.

Ms. Kohut moved that the phone numbers for the elected Board Members be included in the

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

After discussion, it was agreed that home fax and E-mail addresses be placed on the Retirement Board Roster.

Application of retiree earnings limitations (Plan Document Section 31) - Mr. Moquin reviewed his General Counsel opinion contained in the February 11, 1998 memorandum. Mr. Todd moved to concur with the General Counsel's and the Executive Director's recommendation that "Where an otherwise-excluded official listed in Plan Section 2B(3)(a) files a membership application, that person is a "municipal employee" for all purposes under the MERS Plan Document. Therefore, when any MERS' retirant returns to the employ of the participating municipality or court from which the individual retired, the retirant's pension is subject to suspension under Section 31(1). When such cases occur and are brought directly to MERS' attention, actual suspension will be determined under the specific facts and circumstances as reported by the employing municipality to MERS." Ms. Kohut supported the motion. The motion carried unanimously.

**PROPOSAL FOR DECISION--FATIMA TONEY v MERS AND COUNTY OF MUSKEGON** (26th) p. 7-8

Chairperson Walker stated that the Board needs to consider the decision made regarding this matter at the December 18, 1997 board meeting.

Ms. Wade stated that because she is an employee of Muskegon County, she will not be participating in the Fatima Toney discussion or decision.

Mr. Seymore moved to reconsider the Board's December 18, 1997 decision regarding Fatima Toney. Mr. Todd supported the motion. The motion carried unanimously.

Mr. Walker then stated that if the Board so desired, a motion was needed to grant oral argument to the parties, limited to a total of ten minutes each. Mr. Todd moved to grant oral argument to parties limited to ten minutes each. Ms. Kohut supported the motion. The motion carried unanimously.

Mr. Jon Vander Ploeg, Attorney for the County of Muskegon, Intervenor, addressed the Board and requested that the Board not accept the Hearing Officer's Proposal for Decision in this case, but rather find that Ms. Toney is not entitled to a duty disability pension benefit.

Mr. Randall Fielstra, Attorney for Ms. Fatima Toney, Petitioner, addressed the Board and requested that the Board accept the Hearing Officer's Proposal for Decision in this case, and the advice of MERS' Legal Counsel, and find that Ms. Toney is entitled to a duty disability pension benefit.

Mr. Moquin, General Counsel for MERS, Respondent, reviewed the case before the Board and recommended that the Board approve the Hearing Officer's Findings of Fact, Conclusions of Law and the Proposed Decision based on the particulars in the case, the specific facts and the evidence presented.

After discussion, Ms. Kohut moved to approve the Findings of Fact, Conclusions of Law and the Proposed Decision in the matter of Fatima Toney, Petitioner v MERS, Respondent and County of

Muskegon, Intervenor, in the Proposal for Decision dated October 2, 1997 by Administrative Law Judge Elizabeth Schwartz. Mr. Johnson 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 - No, Fred Todd - No, Kristen Wade - Abstained, Dale Walker - Yes. The motion carried. Chairperson Walker then stated that this motion sets aside and stands in place of the December 18, 1997 board decision.

(A complete copy of the transcript of the oral discussions is available at the MERS office.)

**INVESTMENTS** (26th) p. 8-9

Mr. Johnson commented that based on a long term perspective, the Board's confidence in the investment firm of Amerindo may be lacking. Further, there seems to be a question as to whether Amerindo's investment style is a good fit for this Board. After comments and discussion, Mr. Johnson moved for staff to begin an RFP process for a Small Cap Equity Growth Manager, including both passive and active managers in the search. Mr. Birgbauer supported the motion. The motion carried unanimously.

Further, and based on discussion at the January board meeting, Mr. Seymore moved that staff conduct a search for a real estate consultant. Ms. Kohut supported the motion. The motion carried unanimously. It was noted that the present real estate consultant would be included in the search.



## MARCH 25, 1998

### PROPOSED ACCOMMODATIONS FORMERS' 54TH ANNUAL MEETING (2000) (25th) p. 3

Mr. Lindsay reviewed his March 18, 1998 memorandum regarding MERS 2000 Annual Meeting. After discussion of the information and options presented, Mr. Ross moved to accept the Executive Director's recommendation to hold the 54th Annual Meeting at the Amway Grand Plaza Hotel. Mr. Todd supported the motion. The motion carried unanimously.

### STAFF OPERATIONS (25th) p. 3

PeopleSoft Administration System - Mr. Lindsay reviewed his March 25, 1998 memorandum regarding an extension of IBM's contract. After discussion, Mr. Todd moved to authorize the Executive Director to execute a Change Request Form to provide for an additional 230 hours (\$39,100 plus related travel) to complete Phase II. Mr. Johnson supported the motion. The motion carried unanimously.

### EXECUTIVE DIRECTOR'S EVALUATION (25th) p. 4

Mr. Walker thanked the Board for their timely response in completing the Executive Director's performance evaluation. He then asked for a motion from the floor that the Executive Director's contract be honored. Mr. Klosowski moved that given the Executive Director's satisfactory performance, a \$5,000 per year salary increase be given to Mr. Lindsay, effective February 18, 1998. Mr. Seymore supported the motion. The motion carried unanimously.

Mr. Lindsay thanked the Board for their kind evaluation. Mr. Walker stated that the Board felt Mr. Lindsay was doing an exceptional job and thanked him for his dedication and efforts.

**APRIL 29, 1998**

**SUPPLEMENTAL AND INITIAL VALUATIONS UPDATE--THE SEGAL COMPANY** p. 2-3

Mr. Seymore voiced his concern regarding a unit of government which is not a member of MERS receiving a valuation based upon information on a member municipality, without the member municipality's knowledge or approval. Mr. Linsday commented that apparently, it has been a long standing practice for MERS to provide to employers or unions supplemental valuations for use in negotiations. Normally the valuations are provided only to the requesting party. Mr. Linsday then asked for the Board's views on this issue and if a change from current practice is desired. After discussion, Mr. Seymore moved that staff review the current practice regarding initial and supplemental valuations and provide a recommendation to the Board at the May meeting. Mr. Todd supported the motion. The motion carried unanimously.

**RESPONSE TO EXCEPTIONS--MATTHEW SMOCK v MERS AND CITY OF ECORSE** p. 3

Mr. Moquin referred to his letter to Mr. Linsday dated March 30, 1998 regarding the "Response to Exceptions - Matthew Smock v MERS and City of Ecorse." Mr. Moquin recommended that for the reasons stated in the Post Hearing Briefs of Respondent and Intervenor, and the respective Response to Exceptions, Respondent requests that the Board, on review of all these documents in this contested case, enter its Final Order adopting in its entirety the February 16, 1998 decision of the Administrative Law Judge, and deny the claim for duty disability benefits. Mr. Seymore moved to approve the Findings of Fact, Conclusions of Law and Proposed Decision in the matter of Matthew Smock, Petitioner, versus MERS, Respondent and City of Ecorse, Intervenor in the Proposal for Decision dated February 16, 1998 by Administrative Law Judge, Elizabeth R. Schwartz. Mr. Ross supported the motion. The motion carried unanimously.

**RESPONSE TO EXCEPTIONS--VIOLET COSAND v MERS** p. 3

Mr. Moquin referred to his letter to Mr. Linsday dated April 1, 1998 regarding the Response to Exceptions - Violet Cosand, Petitioner versus MERS, Respondent. Mr. Moquin recommended that for the reasons stated in the March 11, 1998 Proposal for Decision, at the hearing, and in Response to Exceptions, Respondent requests that the Board, on review of all these documents in this contested case enter its Final Order adopting in its entirety the Proposal for Decision, and deny the Petitioner's claim for increased benefits. Ms. Wade moved to approve the Findings of Fact, Conclusions of Law and the Proposed Decision in the matter of Violet Cosand, Petitioner versus MERS, Respondent in the Proposal for Decision dated March 11, 1998 by Administrative Law Judge, Elizabeth R. Schwartz. Mr. Seymore supported the motion. The motion carried unanimously.

**GALVANI SUIT** p. 3-4

Mr. Moquin referred to his memorandum dated April 24, 1998 regarding the Galvani Suit. Mr. Todd moved to concur with the recommendation of Mr. Moquin and Special Counsel that MERS, file a counter-claim for interpleader in the matter of Galvani v Grayling Housing Commission, et al, Crawford County Circuit Court, Case #98-4478-CK in this case. Ms. Kohut supported the motion. The motion carried unanimously.

**REVISED 1998 OPERATING BUDGET AND CAPITAL BUDGET** p. 4

Mr. Linsday requested that the Board approve the proposed revised operating and capital budgets

for 1998. This stems from the Board's desire to depreciate software expenses and from the recording of a contingent liability in 1997. MERS is still within the total operating budget for 1997. Mr. Klosowski moved that the revised operating budget and the capital budget for 1998 be approved as presented. Ms. Kohut supported the motion. The motion carried unanimously.

**REQUEST FOR EXTENSION OF FILING DATE--MCL 141.427(4)** p. 4

Mr. Linsday referred to the memorandum to the Board dated April 22, 1998 regarding a request to the State Treasurer for extension of filing date for fiscal year audit report. Mr. Todd moved that the Chairperson and Executive Director execute the letter to the State Treasurer dated April 29, 1998 requesting an extension of filing date for the fiscal year's audit report. Mr. Seymore supported the motion. The motion carried unanimously.

**STAFF OPERATIONS** p. 4-5

**ICMA UPDATE** p. 4

Letter to Mr. Cavanaugh at Gabriel, Roeder, Smith & Company (GRS) - Mr. Linsday reported that a copy of the April 17, 1998 letter sent to GRS was enclosed for the Board's information. Mr. Todd moved to receive and file the letter to GRS. Ms. Wade supported the motion. The motion carried unanimously.

Preliminary Financial Statements - Fiscal Year Ending December 31, 1997

Mr. Linsday commented that preliminary financial statements have been provided for the Board's review and are reflective of what will be provided in the annual report. He stated that staff is in the process of developing footnote information. Mr. Todd moved to receive and file the preliminary financial statements - fiscal year ending December 31, 1997. Mr. Klosowski supported the motion. The motion carried unanimously.

Approval of Purchase in Excess of \$20,000 - Mr. Linsday referred to his memorandum to the Board dated April 22, 1998. Mr. Seymore moved to approve the standardization of Dell Computers and peripherals for the purchase of the items requested by the Executive Director; to waive the requirement for three written bids, and that the Executive Director's request to purchase the computers and peripherals in the amount of \$28,860 be approved. Mr. Todd supported the motion. The motion carried unanimously.

**APPLICATIONS FOR PENSION BENEFITS** p. 5-11

Ms. Kohut moved to approve the applications for pension benefits:

**Post-Retirement Review for Continuation of Non-Duty Disability Benefits:**

A) Applicant:	William T. Simmons
Employer:	Saginaw County
Age:	49
Service Credit:	18 yrs 06 mths
Effective Date:	07/01/96

Mr. Klosowski supported the motion. Mr. Ross voiced his concerns regarding the application listed in the post retirement review for continuation of non-duty disability benefits. He commented that he

does not see the need for re-examination in one year if Saginaw County does not have a job that meets the individual's current restrictions.

Mr. Todd moved to amend Ms. Kohut's motion to delete the requirement for a re-examination after one year for continuation of Mr. William T. Simmons' for non-duty disability benefit. Mr. Ross supported the motion. A roll call vote was taken as follows: Ronald Birgbauer - no, Bruce Johnson - yes, Raymond Klosowski - no, Donna Kohut - no, Ken Ross - yes, Bruce Seymore - yes, Fred Todd - Yes, Kristen Wade - no, Dale Walker - yes. The motion to amend carried. The amended motion carried unanimously.

**MAY 19 AND 20, 1998**

**POLICY CHANGES REGARDING THE PROCESSING OF REQUESTS FOR VALUATIONS** (20th) p. 2-3

After discussion of General Counsel memorandum dated May 12, 1998 regarding Initial and Supplemental Valuations, the following motion was made by Mr. Todd in concurrence with the Executive Director and General Counsel's recommendation:

1. Pre-request approval, or consent, by the affected participating municipality in the circumstance of union Initial Valuation requests (including those for employees currently not covered by MERS) is not required.
2. However, in the case of an Initial Valuation request by non-represented employees; a union representing employees of a prospective municipality where access to data of an existing MERS participating municipality is involved; or a request by a prospective municipality where access to data of an existing MERS participating municipality is involved, the Initial Valuation request must be affirmatively approved and consented to in writing by the Chief Administrative Officer of the participating municipality whose data would necessarily be used by the actuary in the Initial Valuation. In such cases, the Initial Valuation request by a sufficiently interested official party should be accompanied by the written approval and consent of the Chief Administrative Officer of the affected participating municipality, and the Initial Valuation request form shall specify that the request, any related correspondence, and the Initial Valuation, when issued, will be sent to the Chief Administrative Officer of the affected participating municipality.

Mr. Seymore supported the motion. The motion carried unanimously. After further discussion regarding Initial Valuations, staff were asked to make a policy recommendation regarding implementing a fee for Initial Valuations that contain more than a specified number of benefit proposals.

The Board discussed the disclosure policy as it pertains to the confidential nature of requests for Supplemental Valuations; however, took no further action thereon.

**IMPLEMENTATION OF PEOPLESOFT PENSION ADMINISTRATION SYSTEM** (20th) p. 3

Mr. Lindsay referred to his memorandum to the Board dated May 15, 1998.

Mr. Seymore moved to authorize the Executive Director to execute a change request form to provide for an additional 200 hours (\$34,000 plus travel) to enable IBM to complete Phase II of the implementation of the PeopleSoft Pension Administration System. Mr. Johnson supported the motion. The motion carried unanimously.

Mr. Lindsay referred to his memorandum to the Board dated May 12, 1998.

Ms. Wade moved to authorize the Executive Director to execute a Change Request Form to provide for an additional 204 hours (\$38,760 plus related travel) to provide IBM resources to assist MERS in maintaining the PeopleSoft Pension Administration system during the first 120 days following the system's implementation into production. Mr. Todd supported the motion. The motion carried unanimously.

**IBM STATEMENT OF WORK FOR PEOPLESOFT FINANCIAL PROJECT PLANNING**

(20th) p. 3

Mr. Lindsay referred to his May 13, 1998 memorandum to the Board. Mr. Johnson moved to authorize the Chairperson and the Executive Director to execute the IBM Global Services Statement of Work for PeopleSoft Financial Project Planning Consulting Services in the amount of \$172,900 (910 hours at \$190 per hour) plus travel and living expenses estimated at 15-20%. Mr. Seymore supported the motion. The motion carried unanimously.

**REQUESTED CHANGES TO THE MERS PLAN DOCUMENT** (20th) p. 3-5

1. **Non-intervening Military Service and Pre-Vested Service Credit Purchase (Sections 6 & 7)**

Mr. Moquin reviewed his May 11, 1998 memorandum. After discussion, Mr. Seymore made the following motion which is to be effective immediately:

A. Restate Sections 6(1)(c), 6(3) and 6(4) of the MERS Plan Document as follows:

- **6(1)(c)** The member pays to the retirement system the amount the participating municipality or participating court may require of the member in consideration for the crediting of qualifying governmental service; **any payment shall be credited to the member's individual account in the reserve for employee contributions.** The required payment, if any, shall not exceed the difference between the actuarial present value of potential benefits after crediting the specified period of qualifying service and the actuarial present value of potential benefits prior to crediting the specified period of qualifying service. The actuarial present value of potential benefits shall be calculated using the earliest retirement date assumption and experience assumptions used for the annual actuarial valuation.
- **6(3) Service purchased under this section shall not be:**
  - (a) **Credited until the member attains the vesting requirement in effect for the participating municipality or court; or**
  - (b) **Used to satisfy the minimum years of credited service required to be a vested former member in the event of termination of membership.**
- **6(4) For a member employed by a participating municipality or court as of July 1, 1997, who has service rendered before that date that was covered service under former sections 6 or 9 of the Municipal Employees' Retirement Act of 1984, former MCL 38.1506 and 38.1509 as in effect on August 15, 1996, those provisions shall continue to apply to such members for covered service rendered before July 1, 1997.**
- **Delete Section 6(5)**

B. Restate Sections 7(1) (b) and 7(2) as follows:

- **7(1)(b)** The member pays to the retirement system the amount the participating

municipality or participating court may require of the member in consideration for the crediting of service; **any payment shall be credited to the member's individual account in the reserve for employee contributions.** The required payment, if any, shall not exceed the difference between the actuarial present value of potential benefits after crediting the specified amount of credited service and the actuarial present value of potential benefits prior to crediting the specified amount of credited service. The actuarial present value of potential benefits shall be calculated using the earliest retirement date assumption and the experience assumptions used for the annual actuarial valuation.

- **7(2) Service purchased under this section shall not be:**
  - (a) **Credited until the member attains the vesting requirement in effect for the participating municipality or court; or**
  - (b) **Used to satisfy the minimum years of credited service required to be a vested former member in the event of termination of membership.**
- **Renumber Section 7(4) as 7(3), and 7(5) as 7(4).**

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

2. **Partial Service Credit Program (Section 4(6)(a))** (20th) p. 5

Mr. Moquin referred to his memorandum dated May 11, 1998. After discussion, Ms. Kohut moved to approve the following to become effective immediately.

Revise Section 4(6)(a) to read:

- (a) Part-time employees first hired after the "Partial Service Credit Program" is adopted shall receive proportionate service credit for less than 40 hours a week in the proportion which the hours employed in the calendar year bears to 2088 hours. Part-time employees shall be notified in writing at the time of hire how their service credit will be earned.

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

3. **Prior Service Credit Program (Section 2C(3) and 5(1))** (20th) p. 5

Mr. Moquin reviewed his memorandum dated May 11, 1998. After discussion, Mr. Todd moved to approve the following to become effective immediately:

Revise Sections 2C(3) and 5(1) of the MERS Plan Document to read as follows:

- 2C(3) "Prior service" means certified personal service rendered a municipality or a judicial circuit court, judicial district court, or judicial probate court by a member prior to the date the municipality or judicial circuit court, judicial district court, or judicial probate court became a participating municipality or

participating court. The participating municipality or participating court shall certify to the retirement system, in writing, the amount of prior service to be credited each member in its employ. The participating municipality or participating court may limit the period of certified prior service to either a percentage of the member's total period of prior service or a stated number of years. Certification of prior service shall be made prior to the retirement of a member, in the form and at the time prescribed by the Retirement Board. **Prior service credit shall not be recognized for the purpose of calculating a retirement allowance under this Plan unless all of the following requirements are met:**

- (a) **The municipality or court transfers to the retirement system all contributions made by the municipality or court on behalf of that employee to an employer financed retirement system plus all accumulated earnings on those contributions.**
- (b) **The member relinquishes for that member and his or her beneficiaries and heirs all rights to receive a retirement allowance or any other benefit based upon the contributions made by the municipality or court to the employer financed retirement system.**

- 5(1) A member who has acquired credited service with more than 1 participating municipality or participating court, other than concurrently, may combine the separate amounts of credited service for the sole purpose of satisfying the retirement or survivor benefit service credit requirements of the retirement system. Credited service concurrently acquired in more than 1 participating municipality or participating court may not be combined. Credited service of less than 1 year with a participating municipality or participating court may not be combined.

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

#### 4. **Amortization Of A Retirants Accumulated Contributions** (20th) p. 6

Mr. Lindsay reviewed his memorandum dated May 12, 1998, regarding a Request to Change Section 34 of the MERS Plan Document. Mr. Seymore moved to deny the request. Mr. Ross supported the motion. The motion carried unanimously.

#### **BOARD MEMBER NOMINATION AND SELECTION PROCEDURE FOR THE 1998 ANNUAL MEETING** (20th) p. 6

Mr. Moquin's May 12, 1998 memorandum was discussed.

Mr. Seymore moved that the Board Member Nomination and Selection Procedure to be submitted to the Delegates for approval and be used for the 1998 Annual Meeting be revised to restate the **Retired Member** paragraph as follows (underline language is new):

**RETIRED MEMBER** - The Board shall nominate 1 or more candidate(s) for the Retired Member Board position. The membership may forward to the Board for its consideration at any time but not less than 30 days prior to the date set for the Annual Meeting, candidate(s) for Board appointment



or Board nomination to the Retired Board Member position. The Board shall have the sole power in its discretion to nominate any eligible MERS retiree(s) it desires for the position, as provided by 1996 PA 220, section 36(4)(b); Section 36(4)(b) of the Plan Document. The candidate receiving the highest number of affirmative votes from the Delegates shall fill the position. To qualify for consideration and nomination by the Board, the candidate(s) must currently be receiving a retirement allowance from MERS.

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

Moved by Mr. Todd and supported by Ms. Kohut to restate the second sentence of Section 1, **“Other Requirements,”** of the Procedure as follows (underlines language is new):

Further, an opportunity shall be given at the Annual Meeting for additional nominations by certified delegates present for officer and employee Board positions.

The motion carried unanimously.

## JUNE 24 AND 25, 1998

### RESIGNATION OF BOARD MEMBER (24<sup>th</sup>) p. 2

Chairperson Walker read a letter of resignation from Mr. Birgbauer, and read a letter of resolution honoring Mr. Birgbauer. Mr. Todd moved to accept Mr. Birgbauer's resignation with regret and to adopt the resolution honoring Mr. Birgbauer and that the minutes reflect this resolution given in extreme gratitude for a job well done. Mr. Seymore supported the motion. The motion carried unanimously.

### MERS EXPERIENCE STUDY FOR PERIOD 12/31/93 - 12/31/96 (24<sup>th</sup>) p. 2-3

Mr. Dawidowicz referred to his June 17, 1998 memorandum and stated that although he is currently working on the experience study, it will not be completed in time to incorporate any assumptions or methodology changes that may result from this study in the December 31, 1997 actuarial valuation. Extensive discussion was held regarding various municipalities' concerns regarding the salary actuarial assumption; Mr. Todd moved to reduce the base inflation assumption from 5.0% to 4.5% effective with the December 31, 1997 actuarial valuations, as an interim measure until a full actuarial experience study is accomplished. Ms. Wade supported the motion. The motion carried unanimously.

### DECEMBER 31, 1997 ANNUAL ACTUARIAL VALUATIONS (24<sup>th</sup>) p. 3

The Executive Director recommended that changes be made to the method of establishing employer contribution requirements in order to improve the collection and recording of proper employer contributions, particularly when there are changes in reported payroll associated with movement of employees in a municipality when they transfer from one division to another. Mr. Seymore moved that effective with the December 31, 1997 actuarial valuation, the employer contribution requirements for fiscal years commencing in 1999 be based upon a percentage of the reported compensation rather than on a fixed dollar amount based upon the compensation level that had been projected to the beginning of the fiscal year. Mr. Todd supported the motion. The motion carried unanimously.

Mr. Lindsay informed the Board that the Computed Contribution Compensation Schedule previously included in Table 13 of the municipalities' annual valuation is being deleted effective with the December 31, 1997 annual valuation, due to unreliable historical information.

### INVESTMENT REPORT (25<sup>th</sup>) p. 4

Ms. Wagner referred to her June 17, 1998 memorandum regarding the re-balance of the active/passive portfolios for international equities. Mr. Seymore moved that the target allocation between the active and the passive international equity portfolios reflect an 80/20 split provided that staff successfully negotiates a lower fee with the active manager. The actual allocation after re-balance would be 78%/22% in order to leave approximately \$100 million with the passive manager. Ms. Wade supported the motion. The motion carried unanimously.

### 1998 ANNUAL MEETING - TENTATIVE AGENDA (25<sup>th</sup>) p. 4

Ms. Lynes and Mr. Lindsay reviewed the proposed annual meeting agenda with the Board. A question and answer session with the Actuary was added. After discussion, Mr. Todd moved that the annual meeting registration fee be set at \$90.00 with late registration fee being \$110.00. Mr. Seymore supported the motion. The motion carried unanimously. Mr. Klosowski moved that the guest registration fee for meals only, be set at \$75.00 with late registration fee being \$95.00. Mr. Ross supported the motion. The motion carried unanimously.

**PETITION FILED WITH MERC** (25<sup>th</sup>) p. 4

Mr. Lindsay referred to the petition that has been filed with the Michigan Employment Relations Commission. Mr. Johnson moved to go into closed session to discuss labor relations. Mr. Seymore supported the motion. A roll call vote was taken. A roll call vote was taken as follows: Bruce Johnson - Yes, Raymond Klosowski - Yes, Kenneth Ross - 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**

**OPTION V- ACCELERATED BENEFIT FORM IN PEOPLESOFT** (25<sup>th</sup>) p. 4

Mr. Lindsay referred to the memorandum dated June 23, 1998 from Andrew Cohen regarding the Option V - Accelerated Benefit Form in PeopleSoft. After discussion, Mr. Seymore moved that Option V be deleted, effective immediately, provided that MERS' General Counsel determines that it may lawfully be done. If Counsel determines Option V may not be deleted, then for purposes of "Form of Payment V - Life with Accelerated Payment" the adjustment age shall be 67 and the amount of increase and reduction shall be determined pursuant to the functionality provided by the PeopleSoft Pension Administration System. Mr. Klosowski supported the motion. The motion carried unanimously.

## **JULY 22 AND 23, 1998**

### **CLOSED SESSION** (22<sup>nd</sup>) p. 2-3

Mr. Seymore moved that the Board go into close session to review the minutes of the June 25, 1998 closed meeting. Mr. Ross supported the motion. A roll call vote was taken. Mr. Todd - Yes, Ms. Kohut - Yes, Mr. Johnson - Yes, Mr. Ross - Yes, Mr. Klosowski - Yes, Mr. Seymore - Yes, Mr. Walker - Yes. After the open meeting was called back to order, Mr. Seymore moved to approve the minutes of the June 25, 1998 closed session. Mr. Klosowski supported the motion. The motion carried unanimously.

### **PROCEDURE FOR ADJUSTMENT OF DB EMPLOYER CONTRIBUTIONS AFTER THE DC CONVERSION DATE** (22<sup>nd</sup>) p. 3

Mr. Lindsay reviewed his memorandum dated July 21, 1998. Mr. Todd moved that effective with the month of a municipality's Defined Contribution (DC) "Conversion Date" and for the remainder of the municipality's fiscal year until an annual actuarial valuation with a valuation date after the DC "Conversion Date" has been completed, the monthly Defined Benefit employer contribution requirements shall be determined as follows: The reporting unit shall apply to each division, the applicable Employer Contribution as a Percent of Payroll after Accelerated Funding Credit, if any, to the compensation reported on each month's Detail Wage and Contribution Report. Mr. Seymore supported the motion. The motion carried unanimously.

### **CLOSED SESSION TO DISCUSS PENDING LITIGATION AND LABOR RELATIONS** (23<sup>rd</sup>) p. 4

Mr. Seymore moved that the Board go into closed session to discuss pending litigation and labor relations. Mr. Klosowski supported the motion. A roll call vote was taken. Mr. Todd - Yes, Ms. Kohut - Yes, Mr. Johnson - Yes, Mr. Ross - Yes, Mr. Klosowski - Yes, Mr. Seymore - Yes, Mr. Walker - Yes. The motion carried unanimously.

## **THE OPEN MEETING WAS CALLED BACK TO ORDER**

### **GENERAL COUNSEL RECOMMENDATION CONCERNING GRS** (23<sup>rd</sup>) p. 4

Mr. Seymore moved to adopt the recommendation of General Counsel in terms of pursuing appropriate action concerning GRS in view of the Tolling Agreement. Ms. Kohut supported the motion. The motion carried unanimously.

### **MEETING SCHEDULE FOR 1999** (23<sup>rd</sup>) p. 4

After lengthy discussion, Mr. Seymore moved that the 1999 Board Meetings be held on the second Wednesday and Thursday of every month, with the exception of the May and September meetings which have already been set, and eliminating the October board meeting. Mr. Johnson supported the motion. The motion carried unanimously.

### **MAPERS FALL CONFERENCE.** (23<sup>rd</sup>) p. 5

Chairperson Walker asked who would be interested in attending the fall MAPERS Conference. Mr. Ross, Mr. Klosowski, and Mr. Walker indicated their intent to attend. Mr. Seymore moved that Mr. Lindsay and Mr. Walker be certified as the official delegates representing MERS and Mr. Ross and Mr. Klosowski as the alternates to the MAPERS Conference. Mr. Todd supported the motion. The motion carried unanimously.

### **STAFF OPERATIONS** (23<sup>rd</sup>) p. 5

**Comprehensive Annual Financial Report (CAFR)** Mr. Linsday stated that the Board was previously mailed the Comprehensive Annual Financial Report together with a copy of the reports that were filed with the State Treasurer's office pursuant to the Uniform Budgeting and Accounting Act. Mr. Linsday addressed the auditor's comments and recommendations contained in their management letter. Mr. Todd moved that the Executive Director respond to the auditor's management letter in writing by the next meeting. Ms. Kohut supported. The motion carried unanimously.

**MERS Officer and Employee Delegate: 1998 Annual Meeting**

Mr. Linsday advised the Board that Brian Himick was elected as the 1998 Employee Delegate to the MERS Annual Meeting, and he recommended that Ms. Jolls be appointed as the 1998 Officer Delegate. Ms. Kohut moved that Barbara Jolls be the 1998 MERS' Officer Delegate, Mr. Linsday, the Officer Alternate, and that Mr. Himick be certified as the Employee Delegate. Mr. Seymore supported the motion. The motion carried unanimously.

**PEOPLESOFT FINANCIAL PROJECT PLANNING CONSULTING SERVICES - EXTENSION OF IBM CONTRACT** (23<sup>rd</sup>) p. 6

Mr. Linsday reviewed his memorandum dated July 22, 1998. Mr. Seymore moved that the Executive Director be authorized to execute the IBM Change Request Form to provide for an additional 100 hours (\$19,000 plus related travel) to provide IBM resources to reconfigure project materials and documents for implementing version 7.5 of PeopleSoft Financials. Mr. Johnson supported the motion. The motion carried unanimously.

**PEOPLESOFT SOFTWARE LICENSE AND SERVICES AGREEMENT** (23<sup>rd</sup>) p. 6

Mr. Linsday referred to his memorandum dated July 22, 1998, and a memorandum from the Controller dated July 20, 1998 regarding "Purchase of PeopleSoft Financials." After discussion, Mr. Todd moved that the Chairperson and the Executive Director enter into an UpGrade Amendment To The Software License and Services Agreement (Extended Enterprise Capabilities) and Schedule 2 to the Software License and Services Agreement for the PeopleSoft Financials Receivables software license for a total of \$300,000 for the initial license fees. Mr. Ross supported the motion. The motion carried unanimously.

**MERS INFORMATION SYSTEMS (IS) RESOURCE SENSITIVITY ANALYSIS AND REQUEST FOR AN ADDITIONAL STAFF MEMBER.** (23<sup>rd</sup>) p. 6

Mr. Linsday referred to his memorandum dated July 22, 1998. After a lengthy discussion, and with the intent that MERS move away from depending on the expertise of IBM, Mr. Seymore moved that the Chairperson and the Executive Director be authorized to enter into a Statement of Work Agreement with IBM for up to \$250,000 plus travel estimated at an additional 15% to 20%, to provide two individuals to address the Information Systems backlog of work; further, that the Executive Director be authorized to hire two full time Systems Analysts to meet the ongoing systems maintenance needs, and provide necessary back-up to the Director of Information Systems. Mr. Todd supported the motion. The motion carried unanimously.

## AUGUST 19 AND 20, 1998

### COMPLAINT - MERS, ET AL. v GRS (19<sup>th</sup> p. 2)

Mr. Moquin referred to the Summons and Complaint filed August 11, 1998 in the Eaton County Circuit Court. Mr. Seymore moved to receive and file the complaint. Ms. Kohut supported the motion. The motion carried unanimously.

### REAL ESTATE CONSULTANTS' PRESENTATIONS (20<sup>th</sup> p. 3)

Ms. Wagner provided a brief review of the Request for Proposal (RFP) process for a real estate consultant. The RFP was issued on June 23, 1998. From five respondents, staff selected two finalist to make their presentation to the Board. Staff had previously provided copies of the finalists' proposals to the Board. Presentations were made by Mr. Kevin Lynch and Mr. Rob Kochis from The Townsend Group and Ms. Sally Haskins and Mr. Bruce Eidelson from Institutional Property Consultants. After lengthy discussion regarding the presentations by the real estate consultants, Mr. Todd moved to table the issue to the next board meeting. Mr. Klosowski supported the motion. The motion carried unanimously.

### PROPOSED SEPARATION AGREEMENTS (20<sup>th</sup> p. 3)

**Albion Hospital** - Mr. Seymore moved to accept the recommendation of the General Counsel and Executive Director that approval be given to the proposed MERS Separation Agreement, and that the Chairperson sign the Agreement on behalf of the Board. Further, that upon issuance of the GRS Final Valuation, approval of the same by MERS' Actuary and General Counsel, and General Counsel advising in writing that both the Hospital and the City have accepted in writing the GRS Final Valuation, the Executive Director is authorized on behalf of MERS to accept in writing the GRS Final Valuation. Ms. Kohut supported the motion. The motion carried unanimously.

**Mecosta General Hospital Amendment** - Ms. Kohut moved to approve the recommendation of the General Counsel and Executive Director to amend the December 20, 1995 MERS Withdrawal Agreement between MERS and Mecosta County General Hospital as presented in Attachment 4 to the General Counsel's memorandum dated August 13, 1998. Mr. Ross supported the motion. The motion carried unanimously.

### INVESTMENT GUIDELINES (20<sup>th</sup> p. 4)

Mr. Lindsay referred to his August 12, 1998 memorandum to the Board and commented that the Investment Committee and MERS staff recommends approval of the investment guidelines, including the addition of the Style Benchmark for International Equity, to be effective immediately.

Mr. Todd suggested that definitions of terms, such as "large cap" and "small cap," be included in the Investment Guidelines as a supplement. Ms. Wagner suggested that a Management Plan be developed that incorporates the Investment Guidelines and states MERS investment objectives for each asset category. Chairperson Walker commended the investment committee and staff for a job well done. Several minor corrections were noted.

Mr. Seymore moved that the investment guidelines be approved as corrected. Mr. Todd supported the motion. The motion carried unanimously.

Mr. Lindsay commented that a copy of the Investment Guidelines, as corrected, will be provided at the next board meeting.

### PORTFOLIO DYNAMICS, INC. INTERFACE SOFTWARE PROGRAM (20<sup>th</sup> p. 4)

Mr. Linsday referred the August 11, 1998 memorandum from Ms. Wagner regarding rationale for the bid selection on the proposed contract to install and customize an interface software program that reconciles portfolio management information between its Portia portfolio management system and the Northern Trust custodial system. Mr. Linsday further stated that this action affirmatively addresses a comment in the audit management letter.

Mr. Seymore moved to approve the recommendation of the Director of Investments and Executive Director that D3, Inc. be selected to install and customize the IAN software from Portfolio Dynamics and authorize the Board Chairperson and Executive Director to execute the necessary contract in the amount of \$51,000 plus travel expenses. Ms. Wade supported the motion. The motion carried unanimously.

**CLOSED SESSION** (20<sup>th</sup>) p. 4)

Mr. Seymore moved to go into closed session to discuss pending litigation, labor relations, and review closed session minutes from the July 23, 1998 Board meeting. Ms. Kohut supported the motion. A roll call vote was taken. Mr. Klosowski - Yes, Ms. Kohut- Yes, Mr. Ross - Yes, Mr. Seymore - Yes, Mr. Todd - Yes, Ms. Wade - Yes, Mr. Walker - Yes. The motion carried.

**THE OPEN SESSION WAS CALLED BACK TO ORDER**

**PENDING LITIGATION** (20<sup>th</sup>) p. 4-5

Mr. Todd moved that authorization be granted to General Counsel upon approval by the Executive Director for the filing of suit against Federal Insurance Company regarding the Eaton County situation; General Counsel be authorized to engage for this specific matter only, independent counsel Timothy Knowlton of Honigman Miller Schwartz and Cohn, upon appropriate terms and conditions similar to the arrangement in effect for special Counsel Miller Canfield; and upon General Counsel's approval of the proposed Complaint, that the Complaint be filed. Mr. Ross supported the motion. The motion carried unanimously.

**LABOR RELATIONS** (20<sup>th</sup>) p. 5

Mr. Seymore moved that under the terms of Section 36 and 45 of the Plan Document, being MCL 38.1536 and 38.1545 and in furtherance of the provisions the Michigan Incompatibility act, 1978 PA 566, MCL 15.181 *et seq.*, so as to avoid and guard against incompatible positions from arising, the MERS Retirement Board has determined that all MERS employees shall not be eligible for appointment, nomination, or election to the Retirement Board. Further, disclosure of this determination shall be included in the Proposed Board Member Nomination and Selection Procedure Submitted for Approval By The Delegates at the 1998 Annual Meeting (September 23, 1998). Ms. Wade supported the motion. The motion carried unanimously.

Mr. Linsday commented that all staff would be informed regarding the Board's determination.

**CLOSED SESSION MINUTES** (20<sup>th</sup>) p. 5

Mr. Seymore moved to approve the Closed Session Minutes from the July 23, 1998 Board Meeting. Mr. Klosowski supported the motion. The motion carried unanimously.

**RECOMMENDED CHANGES TO THE MERS PLAN DOCUMENT** (20<sup>th</sup>) p. 5

Pursuant to the recommendations contained in the General Counsel's June 9, 1998 and August 11, 1998 memorandums, Ms. Wade moved effective August 20, 1998:

- **To amend Sec. 11 (1) by adding (m) and (n) as follows:**

**(m) Benefit Program V-8 under section 10.**

**(n) Benefit Program V-6 under section 10.**

- **To amend Sec. 35 by adding subsection (1)(c) as follows:**

**(c) The member's spouse has consented in writing to the payment. This requirement may be waived by the Retirement Board if the signature of the member's spouse cannot be obtained because of extenuating circumstances.**

- **To restate Sec. 37 to read as follows:**

**The reports provided for under section 36(2)(e) and (f) shall be submitted to the Retirement Board not later than the end of the fifth (5<sup>th</sup>) month that follows the end of the fiscal year.**

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

**PEOPLESOFT FINANCIAL PROJECT PLANNING AND PROPOSED STATEMENT OF WORK** (20<sup>th</sup>) p. 6

Mr. Lindsay referred to his memorandum dated August 12, 1998, stating that the information provided is a preliminary estimate of the cost to enter into a statement of work for MERS Financial Implementation Project. He further stated that while a more precise estimate will be accomplished at the end of the planning project, staff requested IBM provide the preliminary estimate to avoid delays in starting the Financial Implementation Project.

Mr. Todd moved that the Board authorize the Chairperson and the Executive Director to enter into a Statement of Work agreement with IBM for up to \$864,000 plus travel estimated at an additional 15-20% to accomplish the MERS' Financial Implementation Project. Mr. Ross supported the motion. The motion carried unanimously.

**STAFF OPERATIONS** (20<sup>th</sup> p. 6-7)

**Audit Management Letter** - Mr. Lindsay referred to his memorandum dated August 12, 1998 regarding the Andrews Hooper & Pavlik PLC - Audit Management Letter for the Period Ended December 31, 1997. Mr. Seymore moved that the Executive Director's response to the Auditor's Management Letter be received and filed. Ms. Kohut supported the motion. The motion carried unanimously.

**City of South Haven Request** - Mr. Lindsay referred to Mr. Moquin's memorandum dated August 14, 1998. The City has asked that excess assets from a Division's defined benefit program be used for meeting the employer's defined contribution under Section 19A. After discussion, Mr. Todd moved to concur with the recommendation that the City of South Haven's request be deferred at this time pending further Board review of a fully-developed and operationally-feasible procedure within the next six months. Further, the City be requested to comment on the proposed conditions contained in the memorandum. Mr. Seymore supported the motion. The motion carried unanimously.



**SEPTEMBER 23, 1998**

**PEOPLESOFT FINANCIAL PROJECT** (23<sup>rd</sup>) p. 2

Mr. Lindsay referred to his September 4, 1998 memorandum to the Chairperson and distributed the PeopleSoft Software Systems Estimated Related Costs as of September 9, 1998, which was requested at the August board meeting. He explained that this includes some of the Statements of Work that were recently approved, and discussed future projects that were not included, such as: development and implementation costs for internet access, and future upgrades to new PeopleSoft releases.

After discussion, Mr. Seymore moved that the Board authorize the Chairperson and Executive Director to enter into a Statement of Work Agreement with IBM and/or additional consultants as necessary for up to \$1.8 million dollars plus travel estimated at an additional 15-20% to accomplish the PeopleSoft financial development and implementation project. Ms. Kohut supported the motion. A roll call vote was taken as follows: Chairperson Walker - Yes, Mr. Johnson - Yes, Mr. Klosowski - No, Ms. Kohut - Yes, Mr. Ross - No, Mr. Seymore - Yes, Mr. Todd - No, Ms. Wade - Yes. The motion carried.

**PROPOSAL FOR DECISION - Sue Ann Ferrell v MERS** (23<sup>rd</sup>) p. 2

Mr. Lindsay directed the Board's attention to page seven of "MERS' Response to Petitioner's Exceptions to Proposal for Decision" dated August 25, 1998. Ms. Kohut moved that the Board find Sue Ann Ferrell, Petitioner, totally disabled for continued employment with the participating municipality under Plan Section 24(1). Further, that the Board remand the matter to the Hearing Officer for further consideration on the record already assembled, and issue a Supplemental PFD addressing the issue of duty-causation. Ms. Wade supported the motion. The motion carried unanimously.

## OCTOBER 21 AND 22, 1998

### CLOSED SESSION (21<sup>st</sup>) p. 2

Mr. Seymore moved that the Board go into closed session to review the minutes of the August 20, 1998 closed meeting. Mr. Todd supported the motion. A roll call was taken. Mr. Walker - Yes, Mr. Ross - Yes, Mr. Klosowski - Yes, Ms. Kohut - Yes, Mr. Seymore - Yes, Mr. Todd - Yes, Ms. Wade - Yes, Mr. Johnson - Yes.

### THE OPEN MEETING WAS CALLED BACK TO ORDER (21<sup>st</sup>) p. 2

### CLOSED SESSION MINUTES (21<sup>st</sup>) p. 2

Ms. Wade moved to approve the minutes of August 20, 1998 closed session. Ms. Kohut supported the motion. The motion carried unanimously.

### REAL ESTATE (22<sup>nd</sup>) p. 3

Mr. Seymore motioned to remove real estate consultant issue from the table. Mr. Todd supported the motion. Motion carried unanimously.

Following considerable discussion regarding the role of real estate and the need for a real estate consultant, Mr. Seymore moved that the Request for Proposals from International Property Consultants (IPC) and The Townsend Group be rejected. Mr. Todd supported the motion. The motion carried unanimously.

Institutional Property Consultants, Inc.--After further discussion, Mr. Johnson moved that the Executive Director has discretion to retain IPC until December 31, 1998, so they may provide their performance report for periods ending December 31, 1998. Mr. Todd supported the motion. The motion carried unanimously.

Mr. Lindsay said given the Board's desire to retain a 5% target allocation for real estate, and given the Board does not wish to retain a real estate consultant, future investing should be restricted to publicly traded REITS, through investment managers and/or pooled funds. Staff does not have expertise necessary for direct investing. Furthermore, because of the size of MERS' portfolio, he does not recommend hiring additional staff to attempt direct investing in real estate. The Board requested staff to present a list of options for investing the uncommitted balance of the 5% target at next month's meeting.

### BENEFIT PROGRAM E (22<sup>nd</sup>) p. 4

Mr. Lindsay referred to his October 14, 1998 memorandum regarding Benefit Program E, and distributed additional information to supplement the memorandum. He commented that in an attempt to be more consistent with the E-1 and E-2 programs, in 1996 the Board added a cap to Benefit Program E tied to the CPI. However, for reasons stated in the memorandum, he recommended eliminating the tie to the cap of accumulated changes in the CPI. Related discussion was held regarding post-retirement adjustments of less than 2.5% for 1999 under Benefit Programs E-1 and E-2. Mr. Seymore moved to amend Section 20 of the Plan Document effective October 22, 1998 to read as follows:

**Sec. 20. Benefit Program E; Adoption or Readoption; Effective Date; Adjustment Date; Adjustment Factor; Prohibition.**

(1) A participating municipality may by resolution of its governing body or a participating court may by administrative order of its chief judge adopt or readopt Benefit Program E. The resolution or administrative order shall specify:

(a) the effective date(s) of **retirement for the eligible retirants and beneficiaries;**  
**and**

(b) either (i) a percentage adjustment factor; or (ii) a fixed dollar amount.

The adjustment factor or fixed dollar amount shall specify its application to all retirees, or each retirement allowance in effect **for** the date(s) specified.

(2) The adjustment date under Benefit Program E shall be the first January 1 coincident with or subsequent to the effective date of the change in coverage and which is also at least 30 days after the adoption or readoption of Benefit Program E.

(3) The amount of the retirement allowance of a retirant or beneficiary whose participating municipality or participating court has adopted or readopted Benefit Program E shall be adjusted on the adjustment date. The amount of adjustment shall be **added to** the amount of retirement allowance payable immediately prior to the adjustment date.

(4) Benefit Program E shall not be applied to a retirement allowance that is subject to adjustment under the provision of Benefit Program E-1 or Benefit Program E-2.

**History:** 1988 PA 500, Eff. Dec. 29, 1988, and Plan Document of 1996.

**Note 1: Bold text in (4) [now (1)(b) and following sentence per Board action of October 22, 1998] added by Board action May 20, 1997, with immediate effect.**

**Note 2: Bold text in (1) added, and (b) and remaining text inserted from former (4); (3) revised; former (4)—(6) deleted; and former (7) renumbered as (4); by Board action October 22, 1998, with immediate effect.**

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

**SOUTH HAVEN MERS TRANSFER AGREEMENTS** (22<sup>nd</sup>) p. 5

Mr. Lindsay referred to a memorandum from Mr. Moquin dated October 14, 1998 regarding South Haven MERS Transfer Agreements. Mr. Todd moved to accept the recommendation of the Executive Director and General Counsel and approve the MERS Transfer Agreement dated May 18, 1998 among and between the City of South Haven (City), South Haven Area Emergency Services Authority (Authority), International Association of Fire Fighters, South Haven Fire Fighter's Association, IAFF Local 658 and the Municipal Employees' Retirement Board (Board); and the MERS Transfer Agreement re: Randy Van Wynen dated September 21, 1998 among and between the City, Authority, Randy L. VanWynen, Fire Chief of the Authority, and the Board. Upon approval, and MERS receipt of a proper participating agreement of the Authority as a MERS

participating municipality, the transfers of assets and liabilities called for under the two Agreements should proceed. Ms. Wade supported the motion. The motion carried unanimously.

**CONSOLIDATION OF RESERVES** (22<sup>nd</sup>) p.5-7)

Mr. Lindsay referred to his October 14, 1998 memorandum to the Board regarding the consolidation of reserves. He commented that this recommendation to consolidate the Reserve for Employer Contributions with the Reserve for Retired Benefit Payments, and the Reserve for Undistributed Investment Income with the Reserve for Administrative Expenses will save system development costs as well as on-going operational costs. Mr. Seymore moved that effective with MERS' Fiscal Year Ending December 31, 1998, the following reserves be consolidated:

Reserve for Employer Contributions (Sec 47) with the Reserve for Retired Benefit Payments (Sec. 48), and Reserve for Undistributed Investment Income (Sec. 50) with the Reserve for Administrative Expenses Account (Sec. 51).

Further, effective October 22, 1998, Plan Document Sections 47, 48, 50, 51, and 52 be amended to read as follows:

**Sec. 47. Reserve for Employer Contributions and Benefit Payments; Subaccounts.**

- (1) The reserve for employer contributions **and benefit payments** is the **consolidated** account
  - (a) to which contributions by or on behalf of participating municipalities and participating courts shall be credited, other than contributions made on account of members covered by Benefit Program DC;
  - (b) from which shall be paid all retirement allowances and residual refunds of accumulated contributions.
- (2) The retirement system shall maintain a separate subaccount for each participating municipality and participating court.
- (3) **Effective with the system's fiscal year ending December 31, 1998, the reserve for employer contributions and the reserve for retired benefit payments shall be consolidated into the Section 47 Reserve for Employer Contributions and Benefit Payments. All references in this Plan to the reserve for employer contributions shall be deemed to be references to the consolidated Section 47 Reserve.**

**History:** 1988 PA 500, Eff. Dec. 29, 1988, and Plan Document of 1996.

**Note:** Language in subsection (1)(a) from former section 47, and (1)(b) from section 48(1); language in subsection (2) from former sections 47 and 48(1); language in subsection (3) added; and revised section heading by Board action October 22, 1998, with immediate effect.

**Sec. 48. Reserve for Retired Benefit Payments, Subaccounts;**

**Effective with the system's fiscal year ending December 31, 1998, the reserve for retired benefit payments shall be consolidated into the Section 47 Reserve for Employer Contributions and Benefit Payments. All references in this Plan to the reserve for retired benefit payments shall be deemed to be references to the consolidated Section 47 Reserve.**

**History:** 1988 PA 500, Eff. Dec. 29, 1988, and Plan Document of 1996.

**Note: Language of former section 48 (1) incorporated into section 47(1)(b) and (2), and former section 48(2) deleted, by Board action October 22, 1998, with immediate effect.**

#### **Sec. 50 Reserve for Expenses and Undistributed Income; Transfer; Contingency Reserves.**

- (1) The reserve for expenses and undistributed income is the consolidated account which shall be credited with all interest, dividends, and other income from the investment of retirement system assets, other than assets in the reserve for defined contribution plan; all gifts and bequests received by the retirement system; all unclaimed accumulated contributions and retirement allowances; and all other money received by the retirement system, the disposition of which is not specifically provided. There shall be transferred from the reserve for expenses and undistributed income the section 52 allocations to the reserve for employer contributions and benefit payments, including all amounts required to credit interest to the reserve for employee contributions. If the Retirement Board determines the balance in the reserve for expenses and undistributed income is more than sufficient to cover current charges to the reserve, all of any part of the excess may be used to provide contingency reserves or to meet special requirements of the other reserve accounts of the retirement system. If the balance in the reserve for expenses and undistributed income is insufficient to meet the current charges to the account, the amount of the insufficiency shall be transferred from the reserve for employer contributions and benefit payments.**
- (2) There shall be paid from the reserve the expenses for the administration of the retirement system.**
- (3) Effective with the system's fiscal year ending December 31, 1998, the reserve for undistributed investment income and the reserve for administrative expenses account shall be consolidated into the Section 50 Reserve for Expenses and Undistributed Income. All references in this Plan to the reserve for undistributed investment income shall be deemed to be references to the consolidated Section 50 Reserve.**

**History:** 1984 PA 427, Eff. Jan. 2, 1985, and Plan Document of 1996.

**Note: Language in (1) from former Section 50, as revised; language in (2) from former Section 51, as revised; language in (3) added; and revised section heading by Board action October 22, 1998, with immediate effect.**

#### **Sec. 51. Expenses for Administration of Retirement System; Payment.**

**Effective with the system's fiscal year ending December 31, 1998, the reserve for administrative expenses account shall be consolidated into the Section 50 Reserve for Expenses and Undistributed Income. All references in this Plan to the reserve for administrative expenses account shall be deemed to be references to the consolidated Section 50 Reserve.**

**History:** 1984 PA 427, Eff. Jan. 2, 1985, and Plan Document of 1996.

**Note: Language from former Section 51 incorporated into Section 50(1)(b) as revised, by Board action October 22, 1998, with immediate effect.**

## **Sec. 52. Allocation of Undistributed Investment Income.**

The retirement system shall at least annually allocate all or a portion of undistributed investment income to the reserve for employer contributions **and benefit payments, including all amounts required to credit interest** to the individual balances in the reserve for employee contributions, and on the aggregate balance in the reserve for excess casualty experience. The amounts allocated shall be charged to the reserve for **expenses and** undistributed investment income. The allocation rates shall be determined by the Retirement Board. Allocation rates may vary by reserve account but shall be uniformly applied to each subaccount within a reserve account. Allocations to the reserve for employer contributions **and benefit payments** shall apply only to subaccounts of participating municipalities and participating courts on the date the allocation is adopted by the Retirement Board. Before accumulated contributions are paid under section 35, the retirement system may allocate the portion of investment earnings attributable to the accumulated contributions for the number of complete months between the date that investment earnings were last allocated under this section and the date the accumulated contributions are paid.

**History:** 1992 PA 63, Eff. May 22, 1992, and Plan Document of 1996.

**Note: Bold text added by Board action October 22, 1998, with immediate effect, to conform to revisions in Sections 47, 48, 50 and 51.**

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

### **ALLOCATIONS OF INVESTMENT INCOME** (22<sup>nd</sup>) p. 7-8

Mr. Lindsay referred to his October 14, 1998 memorandum regarding allocations of investment income. The recommended policy change will simplify the current allocation process. Ms. Kohut moved the Executive Director's recommended policy change regarding allocations of investment income be adopted effective with the system's fiscal year ended December 31, 1999 as follows:

At the end of each fiscal quarter of the system, the Retirement Board shall determine an amount (if any) which shall be allocated to the Reserve for Employer Contributions and Benefit Payments from the Reserve for Expenses and Undistributed Income (or allocated to the Reserve for Expenses and Undistributed Income from the Reserve for Employer Contributions and Benefit Payments.)

Such allocations shall be credited (or charged) to the account of each participating municipality or court in the Reserve for Employer Contributions and Benefit payments as of the last calendar day of the fiscal quarter, based upon their combined average daily balance,

exclusive of any accounts receivable, during such quarter in the Reserve for Employer Contributions and Benefit Payments and Reserve for Employee Contributions.

On December 31, of each year, each member's account in the Reserve for Employee Contributions shall be credited with 4% earnings based upon their prior December 31 accumulated balance (if not previously refunded or transferred to the Reserve for Employer Contributions and Benefit Payments upon retirement). Such amount shall be transferred from the applicable participating municipality's or court's account in the Reserve for Employer Contributions and Benefit Payments.

Members withdrawing their accumulated employee contributions, shall be credited 4% interest on a pro rata basis (completed whole month(s) divided by 12) to the date of refund.

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

**ASSISTANT COUNSEL** (22<sup>nd</sup>) p. 8

Mr. Lindsay referred to General Counsel's memorandum dated October 13, 1998 regarding MERS Assistant Counsel Thomas Petroni. Mr. Ross moved the Executive Director and General Counsel's recommendation that the Board authorize entry of a one-year contract services (independent contract) agreement (November 1, 1998 to October 31, 1999) with Mr. Petroni, on the basis of 32 hours per week, with compensation set at \$51,584 (or \$31 per hour). Mr. Seymore supported the motion. The motion carried.

**STAFF OPERATIONS** (22<sup>nd</sup>) p. 8-9

**Signing Authority** - Mr. Lindsay reported that Harriett Swindon, former Controller, has been removed as an authorized signer for MERS bank accounts and requested replacement with the Director of Investments. He also requested approval of a resolution regarding Northern Trust Account No. 83550. Mr. Seymore moved approval of the resolution authorizing the Executive Director, General Counsel, Director of Administrative Services and the Director of Investments as authorized signers for the Northern Trust Company Account No. 83550. Further that the Chairperson of the Board shall certify authorized signers by name as necessary. Mr. Todd supported the motion. The motion carried unanimously.

**LOOMIS SAYLES** (22<sup>nd</sup>) p. 9

As a follow-up from last evening's discussion of Loomis, Sayles & Company, Chairperson Walker inquired whether there was further action the Board wanted to take with respect to the under-performance of their benchmark. Mr. Todd stated that when their performance is reviewed, the Board has a fiduciary obligation to take action. Ms. Wagner responded to questions regarding Loomis Sayles' status stating that as of the June quarter they are on probation. The performance of the portfolio has lagged by more than 200 basis points for the previous three quarters. The annualized returns for the two-year period ending the second quarter 1998 lagged by more than 500 basis points.

After further discussion, Mr. Todd moved to reduce Loomis, Sayles & Company's portfolio to \$200 million by December 31, 1998. Further, reinvest the amount liquidated (approximately \$140 million) in an index fund with one of the current passive portfolio managers, either Barclays Global Investors or World Asset Management. Mr. Johnson supported the motion. The motion carried unanimously.

Mr. Todd noted as a matter of clarification that the \$200 million balance left with Loomis Sayles will be monitored closely according to Investment Guidelines Policy. Further appropriate action will be taken if Loomis Sayles continues to fall below their benchmark.



## NOVEMBER 18 AND 19, 1998

### INVESTMENT REPORT (18<sup>th</sup>) p. 2

Ms. Wagner reviewed MERS October investment transactions and holdings. She also mentioned that the preliminary report was run immediately following month end before pricing was finished. Pricing services had trouble pricing some bonds due to liquidity concerns in the market place, consequently unrealized gains and losses on some bonds will be adjusted.

Ms. Wagner also mentioned that a memorandum was sent to all the investment managers reminding them of the quarterly reporting requirements. She also reviewed the Performance Monitor which will be provided on a quarterly basis.

Ms. Wagner referred to her November 10, 1998 memorandum to the Executive Director regarding the real estate report and how to fulfill the allocation target for the real estate sector. She also discussed her recent dialogue with Mr. Marty Cohen regarding their current fee structure and reported that Mr. Cohen agreed that no fees will be paid on any new allocations during the next year. Mr. Johnson moved to approve the recommendation of the Director of Investments and Executive Director to allocate \$60 million from cash to the real estate sector to fulfill the allocation target, and that this be achieved by increasing Cohen's allocation by \$10 million for a total portfolio of \$50 million and opening a separate account with World Asset Management for \$50 million. This will result in a temporary over-weighting, (less than 2%), to real estate. Ms. Kohut supported the motion. The motion carried.

Mr. Lindsay discussed the need to complete funding the \$49 million commitment to Lombard Odier International by the middle of December including the remaining \$13 million to be taken in kind or sold from the Barclay account. There was general consensus of agreement among the Board with the Executive Director's recommendation.

Mr. Johnson raised concern about retaining Amerindo Investment Advisors Inc. After discussion regarding equity selections, under performance relative to their benchmark, and the need for such a narrow specialty manager, Mr. Johnson moved that Amerindo be terminated and requested liquidation of MERS portfolio by December 31, 1998. Mr. Todd supported the motion. A roll call vote was taken. Ms. Kohut - Yes, Mr. Seymore - No, Mr. Johnson - Yes, Mr. Klosowski - No, Mr. Ross - No, Mr. Todd - Yes, Mr. Walker - Yes. The motion carried. **On December 17, 1998, by roll call vote, 5 in favor and 3 against, the Board moved to confirm and ratify the termination of the services of Amerindo Investment Advisors Inc. effective November 18, 1998 and direct liquidation of the MERS portfolio by December 31, 1998**

### OCTOBER 28 MICHIGAN EMPLOYMENT RELATIONS COMMISSION (MERC) HEARING (18<sup>th</sup>) p. 2

Mr. Lindsay referred to his October 29, 1998 memorandum regarding the outcome of the MERC hearing. Chairperson Walker asked for a motion to go into closed session so that the Board could discuss information of a sensitive matter regarding labor relations.

### CLOSED SESSION (18<sup>th</sup>) p. 2

Mr. Seymore moved that the Board go into closed session to discuss labor relations. Ms. Kohut supported the motion. A roll call vote was taken. Ms. Kohut - Yes, Mr. Seymore - Yes, Mr. Johnson - Yes, Mr. Klosowski - Yes, Mr. Ross - Yes, Mr. Todd - Yes, Mr. Walker - Yes. The motion carried unanimously.

**CHAIRPERSON WALKER CALLED THE OPEN SESSION BACK TO ORDER (18<sup>th</sup>) p. 3**

**BENEFIT PROGRAM E-1 AND E-2 UPDATE (19<sup>th</sup>) p. 4**

Mr. Lindsay referred to his memorandum dated November 10, 1998. He reminded the Board of the discussion at the October meeting stating that since 1969 the E-1 and E-2 annual increase has always been 2.5%. For the first time, due to low inflation during the 12 months ending September 30, 1998, the annual adjustment for calendar 1999 will for some, but not all divisions, be less than 2.5%.

Mr. Seymore moved to accept the recommendation of the Executive Director and General Counsel to revise Sections 21 and 22 by the addition of new subsection (7), each as follows:

**SECTION 21\*\*\***

(7) Effective for annual adjustment dates commencing on and after January 1, 1999, all adoptions or re-adoptions of Benefit Program E-1 under subsection (1) shall provide for an annual, automatic non-compounded adjustment amount of 2.5% of the base amount of retirement allowance, without application of the last sentence of subsection (3) and subsection (4) in its entirety.

Note: Subsection (7) added by Board action November 19, 1998, with immediate effect as of November 1, 1998.

**SECTION 22\*\*\***

(7) Effective for annual adjustment dates commencing on and after January 1, 1999, all adoptions of Benefit Program E-2 under subsection (1) and all re-adoptions shall provide for an annual, automatic non-compounded adjustment amount of 2.5% of the base amount of retirement allowance, without application of the last sentence of subsection (3) and subsection (4) in its entirety.

Note: Subsection (7) added by Board action November 19, 1998, with immediate effect as of November 1, 1998.

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

**1999 BUDGET PROPOSAL (19<sup>th</sup>) p. 4**

Mr. Lindsay introduced MERS Department Directors Ronald Beaton, Barbara Jolls, Marian Frane, and Brian Smith and commented that staff was available to answer any questions the Board may have regarding the proposed budget. He then referred to his memorandum dated November 16, 1998 regarding MERS' 1998 Budget Proposal.

The Administrative and Investment Expense Proposed Budget and the Capital Budget-Proposed for fiscal year end 1999, as well as supporting documentation, was reviewed. The Department Directors responded to various questions.

Mr. Todd proposed that up to \$30,000 be added to the Budget for an architectural study to determine the long term needs of staff in terms of facilities, and then research ways to finance the recommendations of the study and report back to the Board. Mr. Seymore moved that the fiscal year 1999 administrative and investment expense budget in the amount of \$14,189,060 and a capital budget in the amount of \$2,387,800 be approved. This includes a \$30,000 line item for an architectural study. Mr. Johnson supported the motion. The motion carried unanimously.

**SUPPLEMENTAL PROPOSAL FOR DECISION-SUE ANN FERRELL v MERS - Duty Causation** (19<sup>th</sup>) p. 5

Mr. Petroni referred to his letter to Mr. Lindsay dated November 11, 1998 and reviewed the facts of the case. Ms. Kohut moved to approve the Findings of Fact, Conclusions of Law and the Proposed Decision in the matter of Sue Ann Ferrell versus MERS, Respondent in the Supplemental Proposal for Decision dated October 20, 1998 by Administrative Law Judge Elizabeth R. Schwartz, and that the Petitioner's application for duty disability be granted. Mr. Ross supported the motion. The motion carried unanimously.

**PROPOSED AMENDMENTS TO PLAN DOCUMENT - SECTION 11; 24 AND 27; AND 33** (19<sup>th</sup>) p. 5-6

Mr. Lindsay referred to Mr. Moquin's memorandum dated November 3, 1998 regarding the proposed amendments to Plan Document Sections 11; 24 and 27; and 33. After discussion, the following motions were made:

Mr. Seymore moved that Section 11(1) be amended by adding new subsection (o), effective immediately. As amended, Section 11 will read (added language **bolded**):

- **11(1) ...**
  - (o) **Benefit Program F(N) under section 10.**
- **11(2)(d)** After present reference to "F50" insert a comma before "F55" and insert F(N), to read: "F50, F55 or F(N)"
- **In the NOTE portion**, number present text as 1; Note 2 will read:

**Note 2: Subparagraph (1)(o) added, along with bold text in (2)(d) by Board action November 19, 1998, with immediate effect.**

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

Ms. Kohut moved the following revisions to Sections 24 and 27 (added language **bolded**):

- Add new last sentence to the end of Section 24(5)(b)(ii), and 27(d) [to be 27(4) after the 1998 revision of the Plan Document]:

**In all cases where the retirement allowance Benefit Program in effect imposes a limitation on the maximum amount of retirement allowance payable, including but not limited to Benefit Programs B-3 and B-4, then the Benefit Program D-2 allowance shall not exceed such limitation.**

- Add identical **Note** at end of Sections 24 and 27 as follows:

**Bold text in last sentence of subparagraph (5)(b)(ii) [or section 27(4)] added by Board action of November 19, 1998, with immediate effect.**

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

Mr. Todd moved the elimination of redundant language in Section 33(2) and (4) as follows:

- As revised, Section 33(2) will read:

**A participating municipality or court that first requires member contributions on account of compensation earned after May 22, 1992 shall pick up member contributions.**

- Delete the last sentence of Section 33(4).
- **In the NOTE portion, number present text as 1, and insert new second sentence as follows: “Initial conforming language was contained in 1992 PA 63, which took immediate effect on May 22, 1992.”**
- **Add Note 2 as follows: “Obsolete language in subsections (2) and (4) deleted by Board action of November 19, 1998, with immediate effect.”**

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

**REAPPOINTMENT OF BRUCE JOHNSON—3-YEAR TERM 12/31/2001** (19<sup>th</sup>) p. 6

Mr. Seymore moved that Mr. Johnson be re-appointed to serve on the Board as the Public Board Member for the three-year term ending December 31, 2001. Mr. Klosowski supported the motion. The motion carried unanimously.

**STAFF OPERATIONS** (19<sup>th</sup>) p. 7

**Minutes of Annual Meeting.** - Ms. Kohut moved to submit the minutes of the 52<sup>nd</sup> Annual Meeting held September 23, 1998 to the delegates at the 1999 Annual Meeting for approval. Mr. Ross supported the motion. The motion carried unanimously.

## **DECEMBER 16 AND 17, 1998**

### **APPROVAL OF NOVEMBER 18 & 19, 1998 BOARD MEETING MINUTES** (16<sup>th</sup>) p. 1

Mr. Seymore moved that the November 18, 1998 board minutes, with respect to the Motion to Terminate the services of Amerindo Investment Advisors Inc., be supplemented to note the December 17, 1998 action of the Board (see below) to confirm and ratify the termination of the services of Amerindo Investment Advisors Inc. effective November 18, 1998 and direct liquidation of the MERS portfolio by December 31, 1998. Mr. Klosowski supported the motion. Motion carried unanimously.

Mr. Todd moved that the November 18 and 19, 1998 minutes be approved with the supplemented note. Mr. Klosowski supported the motion. The motion carried unanimously.

### **INVESTMENT REPORT** (16<sup>th</sup>) p. 2

**Allocation Rebalance** - Ms. Wagner reviewed her memorandum dated December 16, 1998. Mr. Todd moved the allocation rebalance as recommended by the Director of Investments and Executive Director as follows: Invest \$125 million in the Russell 1000 Value Index with Barclays. Invest \$80 million in the Small Cap Growth Index on a temporary basis with Barclays. Allocate \$30 million or more to Kennedy Capital (not to exceed a total portfolio of \$200 million) and adopt the Small-Cap Blend (value emphasis) style for the account. And cancel the \$9.5 million liquidation order for the EAFE account with Barclays. Mr. Seymore supported the motion. The motion carried unanimously.

Mr. Lindsay commented that it is helpful for staff to work with the Investment Committee when addressing major investment decisions. In that light, in the future, when there are managers on the probation list and it is deemed appropriate to consider formal termination of that manager, staff would appreciate working with the Investment Committee before it is brought to the full board.

### **FIDUCIARY LIABILITY INSURANCE** (16<sup>th</sup>) p. 3

Mr. Lindsay referred to his memorandum dated December 10, 1998 regarding Fiduciary Liability Insurance. Mr. Seymore moved adoption of the Executive Director's recommendations to not pursue additional Fiduciary Liability coverage at this time, and to not provide and/or sponsor a group fiduciary liability insurance program for participating municipalities and courts. Ms. Kohut supported the motion. The motion carried unanimously.

### **MERS WITHDRAWAL AGREEMENT - CRYSTAL FALLS COMMUNITY HOSPITAL**

(16<sup>th</sup>) p. 3

Mr. Moquin referred to his memorandum dated December 4, 1998. Mr. Seymore moved General Counsel's recommendation that MERS Withdrawal Agreement - Crystal Fall Community Hospital be approved. Mr. Johnson supported the motion. The motion carried unanimously.

### **PROPOSAL FOR DECISION - GAYLA COX v MERS - NON-DUTY DISABILITY BENEFIT**

(16<sup>th</sup>) p. 3

Mr. Lindsay directed the Board's attention to the Hearing Officer's Proposal for Decision dated December 1, 1998, which recommends granting the Petitioner's application for non-duty disability retirement benefits. Ms. Kohut moved to approve the Findings of Facts, Conclusions of Law and the Proposed Decision in the matter of Gayla Cox v MERS, Respondent, in the Proposal for Decision dated December 1, 1998 by Administrative Law Judge, Elizabeth R. Schwartz, to grant the application for non-duty disability retirement benefits. Mr. Todd supported the motion. The motion carried unanimously.

#### **STAFF OPERATIONS** (16<sup>th</sup>) p. 4

**GFOA Spring Conference** - Mr. Lindsay reported that if board members plan to attend the GFOA Spring Conference reservations should be made soon. After discussion, Mr. Ross moved to amend the current Board Member Education Policy to reflect that every board member be allowed to go to one national educational conference per year with the approval of the Board not limited to the GFOA Conference. Mr. Klosowski supported the motion. The motion carried unanimously.

**Employment Contract** - Mr. Lindsay referred to his memorandum dated December 10, 1998 regarding the employment contract of Mr. Michael J. Moquin. Mr. Todd moved approval of Executive Director's Recommendation to increase Mr. Moquin's salary to \$118,243.44 from \$115,007.04 effective January 1, 1999. Mr. Johnson supported the motion. The motion carried unanimously.

**Board Member Nomination and Selection Procedure** - Mr. Moquin reviewed the suggested changes to the Board Member Nomination and Selection Procedure as Approved by the Delegates at the 1998 Annual Meeting (September 23, 1998). The change at the bottom of the first page under Retired Member is in response to comments expressed at the annual meeting regarding the retired board member position. Also, on page two under Other Requirements, the word "nominations" was changed to "nominees." Mr. Seymore moved that the recommended changes be adopted and submitted to the delegates at the 1999 Annual Meeting for approval. Mr. Ross supported the motion. The motion carried unanimously.

#### **AMERINDO INVESTMENT ADVISORS, INC.** (17<sup>th</sup>) p. 4-5

Ms. Wade was present by speakerphone. Mr. Lindsay referred to Mr. Moquin's memorandum dated December 16, 1998. Mr. Johnson moved for reconsideration of the November 18, 1998 motion to terminate the services of Amerindo Investment Advisors Inc. and liquidate the MERS portfolio by December 31, 1998. Mr. Todd supported the motion. A roll call vote was taken as follows: Bruce Johnson - Yes, Raymond Klosowski - Yes, Donna Kohut - Yes, Kenneth Ross - No, Bruce Seymore - No, Fred Todd - Yes, Kristen Wade - Yes, Dale Walker - Yes. The motion carried.

Mr. Johnson then moved to confirm and ratify the termination of the services of Amerindo Investment Advisors Inc. effective November 18, 1998 and direct liquidation of the MERS portfolio by December 31, 1998. Mr. Todd supported the motion. A roll call vote was taken as follows:

Bruce Johnson - Yes, Raymond Klosowski - No, Donna Kohut - Yes, Kenneth Ross - No, Bruce Seymore - No, Fred Todd - Yes, Kristen Wade - Yes, Dale Walker - Yes. The motion carried.

**LABOR RELATIONS** (17<sup>th</sup>) p. 5

Chairperson Walker asked for a motion to go into closed session to review the November 18, 1998, closed session minutes.

Mr. Ross moved that the Board go into closed session to review closed session minutes. Mr. Klosowski supported the motion. A roll call vote was taken as follows: Bruce Johnson - Yes, Raymond Klosowski - Yes, Donna Kohut - Yes, Kenneth Ross - Yes, Bruce Seymore - Yes, Fred Todd - Yes, Dale Walker - Yes. The motion carried.

**Chairperson Walker called the open meeting back to order**

**NOVEMBER 1998 CLOSED SESSION MINUTES** (17<sup>th</sup>) p. 5

Mr. Seymore moved to approve the November 18, 1998 closed session minutes. Ms. Kohut supported the motion. The motion carried unanimously.

**STAFF OPERATIONS** (17<sup>th</sup>) p. 5

**Plan Document Publication** - Mr. Moquin commented that there have been 27 separate plan amendments over the past two calendar years. An updated Plan Document will be issued the first of next year in a 3-ring binder style which will more easily accommodate future changes as replacement pages can be sent rather than reproducing the entire document.

**PUBLIC BOARD MEMBER CANDIDATE** (17<sup>th</sup>) p. 9

The Board interviewed Mr. Dennis Murphy, a candidate for the vacant public board member position. This position requires knowledge or experience in retirement systems, administration of retirement systems, or investment management, or advisory services.

After discussion, Mr. Seymore moved that Mr. Murphy be appointed to the board for a term ending December 31, 1999. Mr. Ross supported the motion. The motion carried unanimously.

**END OF 1998 MOTIONS**