

MUNICIPAL EMPLOYEES' RETIREMENT BOARD

1999 Motions

JANUARY 13, 1999

BOARD REORGANIZATION (13th) p. 1

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

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

STAFF OPERATIONS (13th) p. 3

Executive Director's Performance Evaluation – Mr. Ross moved that effective October 1, 1998 the Executive Director's annual salary be increased to \$100,000.00. Furthermore, effective January 1, 1999 the annual salary be increased by an additional 2.8%. Ms. Kohut supported the motion. The motion carried unanimously. It was understood that future evaluations will be done on a calendar basis.

FEBRUARY 10, 1999

CONTINUING EDUCATION POLICY (10th) p. 2

Mr. Lindsay stated that the proposed Continuing Education Policy was reflective of the Board's comments at the January meeting. Mr. Johnson moved to approve the Continuing Education Policy as follows:

**MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF MICHIGAN
CONTINUING EDUCATION POLICY**

Retirement Board members and the Executive Director shall fulfill the following continuing education requirements:

- The Retirement Board members and Executive Director shall attend one or more educational training program/conference within one year of taking office or appointment. Thereafter, the Retirement Board members and Executive Director may attend one or more educational training program/conference every year, but shall attend at least one educational training program/conference every two years.
- When a quorum of the Board (at least five members) is in attendance at any educational training program/conference, discussion, deliberation or rendering a decision on official board business is prohibited consistent with the Open Meetings Act.
- No more than four board members will be approved to attend the same out-of-state educational training program/conference at the same time.
- All educational training programs/conferences shall be pertinent to the administration and/or investment management of MERS, and attendance shall be approved by the Chairperson and Executive Director. For purposes of satisfying these continuing education requirements, the Chairperson and Executive Director may approve board member attendance at an educational training program/conference that is paid for by an entity other than MERS. All approvals shall be in writing and reported to the Board at its next regularly scheduled meeting.
- Educational programs/conference registration fees and associated travel expenses will be paid by MERS in accordance with MERS travel guidelines and policies.

This policy was adopted at the MERS Board meeting held on February 10, 1999 and is effective immediately. This policy replaces all previous continuing education policies.

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

ALLOCATIONS OF INVESTMENT INCOME (10th) p. 3

Mr. Lindsay referred to his memorandum dated February 4, 1999 regarding the Allocation of Undistributed Investment Income. Mr. Seymore moved to approve the Executive Director's request of the following "standing determination" for purposes of all future quarterly allocations of undistributed investment income, as well as for the December 31, 1998 fiscal year allocation:

For purposes of determining quarterly allocations pursuant to the policy for Allocations of Investment Income as approved by the Retirement Board on October 22, 1998, sufficient amounts shall be allocated to the Reserve for Employer Contributions and Benefit Payments from the Reserve for Expenses and Undistributed Investment Income (RESERVE) so that the remaining balance in the RESERVE is zero at the end of the quarter. However, if prior to any allocations of undistributed investment income, the balance in the RESERVE has a negative balance, then sufficient amounts shall be transferred to the RESERVE from the Reserve for Employer Contributions and Benefit Payments so that the remaining balance in the RESERVE is zero at the end of the quarter.

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

STAFF OPERATIONS (10th) pp. 3-4

Authorized Signers – Mr. Lindsay referred to his memorandum dated February 4, 1999 regarding Authorized Signatories Resolution. Mr. Murphy moved to adopt the Authorized Signatories Resolution as follows:

AUTHORIZED SIGNATORIES RESOLUTION

At the February 10, 1999 regular meeting of the Municipal Employees' Retirement System of Michigan

WHEREAS, following Board authorization of various contractual relationships between MERS and professional service providers (including, but not limited to, Trustees, Custodians, Banks, Investment Managers, and other Advisors), there arises the necessity to designate, and to change from time-to-time, those MERS officers and employees who shall act as authorized and designated signatories to direct official transactions between MERS and the provider; and

WHEREAS, under Plan section 36(11)(a), MCL 38.1536(11)(a), as the Executive Director shall "[m]anage and administer the retirement system under the supervision and direction of the Retirement Board," the Executive Director by position is an authorized signatory; and

WHEREAS, the Board deems it proper and expedient that the Executive Director is and shall be authorized to designate as may be required additional authorized signatories for official transactions;

NOW, THEREFORE, BE IT RESOLVED, that the Executive Director shall designate as additional authorized signatories at least two (2) of the individuals serving as Director of the following Departments:

- ADMINISTRATIVE SERVICES
- FINANCE
- INVESTMENTS
- LEGAL

BE IT FINALLY RESOLVED, that this Resolution when accompanied by the Executive Director's specific designation of additional authorized signatories shall be effective and conclusively relied upon, and shall be controlling in all MERS transactions.

Mr. Seymore supported the motion. The motion carried.

MARCH 10, 1999

ENFORCEMENT PROCEDURE FOR PROMPT REPORTING AND PAYMENT (10th) p. 2
Mr. Lindsay commented that this is suggested to encourage municipalities to submit their reports timely and to pay their invoices timely. Mr. Seymore moved to approve the following Enforcement Procedure for Prompt Reporting and Payment:

Effective January 1, 2000, participating municipalities that have not submitted their Wage and Service Report by the due date will be charged a \$250 LATE REPORT PENALTY for each delinquent month.

Effective January 1, 2000, participating municipalities that have not remitted required member and employer contributions by the due date will be charged a \$250 LATE PAYMENT PENALTY for the delinquent month.

The penalties will be automatically deducted from their Reserve for Employer Contributions and Benefit Payments. The penalty will be equally divided among the divisions in the reporting unit. (As an alternative, municipalities may be invoiced for these penalties.) The penalties will be deposited into the Reserve for Expenses and Undistributed Income.

“Wage and Service Reports” are due the 10th of the following month for wages paid, member contributions withheld and service rendered in the previous month, and are considered late if not received in the MERS Office by the 20th of such following month.

“Member and Employer Contributions” are due the 20th of the following month for wages paid, member contributions withheld and service rendered in the previous month and are considered late if not received in the MERS Office (or MERS designated depository) within 15 days of its due date.

MERS shall in writing advise the chief administrative officer and the governing body of a municipality that is 60 or more days delinquent in remitting member and employer contributions, that the matter will be referred to the State Treasurer in accordance with the Local Government Fiscal Responsibility Act, Section 12(1)(d) MCL 141.1212(1)(d), unless all necessary corrective action is taken within 30 days of such written notice.

MERS shall report to the Michigan Department of Treasury all outstanding unpaid contributions that are 90 days or more past due date. This is authorized by the Local Government Fiscal Responsibility Act, Section 12 (1) (d) MCL 141.1212 (1) (d).

The Director of Finance or Executive Director may waive penalty for extenuating circumstances.

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

PROCESSING PAPER DETAIL WAGE AND CONTRIBUTION REPORT (10th) p. 3

Mr. Lindsay commented that this is suggested to encourage municipalities to submit their Wage and Service Reports electronically (by diskette or modem). Mr. Murphy moved to approve the following requirement for municipalities to submit their Wage and Service Reports electronically:

Effective January 1, 2000, participating municipalities shall be required to submit their Wage and Service Report electronically (by diskette or modem). Those municipalities that do not will be charged a Processing Fee of \$25 for less than 25 members, \$100 for more than 24 members but less than 100 members and \$1 per member but not less than \$200 for 100 or more members each month the municipality submits a paper report.

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

INVESTMENT COMMITTEE ACTION (10th) p. 4

Mr. Lindsay referred to his memorandum dated March 3, 1999 regarding the Investment Committee's Plan for a Large-Cap Value Equity Manager. Mr. Murphy moved to approve the following:

1. Commence a search for a large-cap value equity manager.
 - Invite the current large-cap value manager to compete.
 - Use the request for information format for the search.
2. Staff will work with the Investment Committee to develop a "short list" of managers by August 11, 1999 (using performance returns through June 30, 1999).
3. Staff will work with the Investment Committee to identify "Finalists" by September 30, 1999. Invite finalists to respond with a deadline of October 22, 1999 (include performance returns through the third quarter of 1999).
4. "Finalists" will make presentation to the full Board at the November 10, 1999 meeting or special meeting in November.

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

SERVICE PURCHASE PROGRAM (10th) p. 4

Mr. Lindsay referred to his memorandum dated March 4, 1999 and stated that staff receives about 1,000 requests per year to do service purchase calculations. The present program, developed when MERS was a State agency, needs to be replaced by one more versatile and accessible for staff use and reflect Plan Document changes. Ms. Wade moved to adopt the Executive Director's request to:

- Accept the proposal from Actuarial Service Company, P.C. to develop a Service Purchase Program for MERS.
- Chairperson and Executive Director enter into a contract with Actuarial Service Company, P.C. to develop a visual C++ stand alone program, and a program to handle partial repayments and a program to calculate the amount of service available for purchase from a specific dollar amount.
- The contract amount is not to exceed \$26,730.
- A corresponding increase of \$30,000 in the Capital Budget for 1999.

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

SOFTWARE LICENSE – BILLING (10th) p. 4

Mr. Lindsay referred to his memorandum dated March 4, 1999 and a billing scope comparison that outlined four different options for meeting MERS' billing requirements. Mr. Todd moved to adopt the Executive Director's recommendation to authorize the Chairperson and Executive Director to enter into a contract with PeopleSoft to acquire the software license for the PeopleSoft billing module in the amount of \$122,500, and to approve the corresponding increase in the Capital Budget for 1999 by \$122,500. Ms. Wade supported the motion. The motion carried unanimously.

PROPOSED NEW STAFF POSITION (10th) p. 5

Mr. Lindsay referred to his memorandum dated March 4, 1999 regarding the proposed new staff position. Mr. Seymore moved to approve the Executive Director's recommendation to establish a Functional Analyst position in the Member and Retiree Service Department. Mr. Klosowski supported the motion. The motion carried unanimously.

PROPOSAL FOR DECISION – NANCY OPLINGER v MERS AND MUSKEGON COUNTY (10th) p. 5

Mr. Todd moved to approve the Findings of Fact, Conclusions of Law and the Proposed Decision in the matter of *Nancy Oplinger v MERS and Muskegon County*, Respondents in the Proposal For Decision dated December 28, 1998 by Administrative Law Judge, Elizabeth Schwartz. Mr. Seymore supported the motion. Ms. Wade abstained. The motion carried unanimously.

CENTRAL WAYNE COUNTY TRANSPORTATION AUTHORITY (10th) p. 5

Mr. Moquin referred to his memorandum dated March 3, 1999. Ms. Kohut moved to approve the General Counsel and Executive Director's recommendation for approval of the MERS Withdrawal Agreement and that the Chairperson sign the Agreement on behalf of the Board. Mr. Ross supported the motion. The motion carried unanimously.

STAFF OPERATIONS (10th) pp. 5-6

1999 Annual Meeting – Hyatt Regency, Dearborn – Mr. Lindsay commented that this information was prepared to make the Board aware of the meal costs at the 1999 Annual Meeting. He also reviewed a 1999 Projected and 1998 Annual Meeting Expense and Revenue Comparison. After reviewing the information provided, Mr. Ross moved that the annual meeting registration fee be set at \$125 for early registration and \$150 for late registration. Mr. Todd supported the motion. The motion carried unanimously.

MAPERS - Mr. Lindsay commented that staff has received interest in attending the MAPERS Spring Conference from Ms. Kohut, Mr. Klosowski, Mr. Ross, Mr. Seymore, Mr. Walker, and himself. Chairperson Walker asked that two individuals be designated as delegates to the MAPERS Conference on behalf of MERS. Mr. Seymore moved that the Chairperson, Dale Walker, and Executive Director, Gordon Lindsay, be approved as MERS' Representatives to the MAPERS Spring Conference. Mr. Murphy supported the motion. The motion carried unanimously.

APRIL 14, 1999

REQUEST FOR EXTENSION OF FILING DATE FOR FISCAL YEAR 1998 AUDIT REPORT (14th) p. 2

Mr. Lindsay referred to his memorandum dated April 8, 1999. Mr. Todd moved to authorize the Chairperson and Executive Director to execute the letter to the State Treasurer dated April 15, 1999 requesting an extension of filing date for Fiscal Year Audit Report. Mr. Johnson supported the motion. The motion carried unanimously.

GROUP LIFE/DISABILITY INSURANCE PROPOSAL (14th) p. 2

Mr. Todd moved to authorize the Executive Director to obtain Group Life, Short Term and Long Term Disability coverage for all full time MERS employees with Royal Maccabees Life Insurance Company as outlined in the proposal included with February 19, 1999 letter from the C.M. Althoff. Further, prior to the end of the contract period staff is requested to review the number of claims incurred since MERS' independence to determine the possibility of self-funding. Mr. Murphy supported the motion. The motion carried unanimously.

KEITH KEWISH AND POLICE OFFICERS LABOR COUNCIL v MERS (14th) p. 2

Mr. Murphy moved to approve the Findings of Fact, Conclusions of Law and the Proposed Decision in the matter of Keith Kewish and Police Officers Labor Council v MERS, Respondent in the Proposal For Decision dated January 20, 1999 by Administrative Law Judge, Elizabeth R. Schwartz. Mr. Johnson supported the motion. The motion carried unanimously.

THE SEGAL COMPANY (14th) p. 2

Effective Date of Contributory Rate Increases for Benefit Improvements in Underfunded Division

Mr. Todd moved that notwithstanding the accelerated funding credit program, effective July 1, 1999, municipalities submitting supplemental valuation requests for divisions that are underfunded will be required to pay the contribution rate as of the date that the benefit is adopted, to cover the normal cost and amortization of the unfunded liability associated with the benefit. Mr. Seymore supported the motion. The motion carried unanimously.

ALPENA GENERAL HOSPITAL MERS TRANSFER (14th) p. 3

Mr. Lindsay referred to General Counsel's memorandum dated April 7, 1999 regarding Alpena County and Alpena General Hospital – MERS Transfer Agreement. Mr. Johnson moved to authorize the Executive Director to approve the MERS Transfer Agreement as to form on behalf of MERS following General Counsel's written recommendation that it is proper to sign. Mr. Klosowski supported the motion. The motion carried unanimously.

MAY 18 & 19, 1999

MONTHLY INVESTMENT REPORT—STAFF (18th) p. 2

Mr. Murphy moved that all investment manager fee increase requests be referred to the Retirement Board. Requests given consideration by the Board will be referred to staff for analysis and discussion with the Investment Committee. The Investment Committee shall provide a recommendation to the Retirement Board to dispose of such requests. Mr. Ross supported the motion. The motion carried unanimously.

With respect to the request for a fee increase by Wellington Management, Ms. Wade moved to refer the Wellington request to the staff and investment committee in accordance with the newly established policy. Mr. Todd supported the motion. The motion carried unanimously.

Mr. Ross moved that a Board member, if available, accompany staff when they are visiting an investment manager's office. Mr. Murphy supported the motion. The motion carried unanimously.

ACTUARY REPORT—THE SEGAL COMPANY (18th) p. 3

Mr. Lindsay referred to his memorandum dated May 11, 1999 regarding Supplemental Valuations Procedure. Mr. Seymore moved that the July 1, 1999 effective date of the following change in procedure as adopted by the Board at the April 14, 1999 session, (accelerated funding credit) be deferred to coincide with issuance of a revised Initial and Supplemental Valuation Procedure.

“Notwithstanding the AFC Program, municipalities submitting supplemental valuation requests for divisions that are underfunded will be required to pay the contribution rate as of the date that the benefit is adopted, to cover the normal cost and amortization of the unfunded liability associated with the benefit.”

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

REQUESTS FOR CHANGES TO MERS PLAN DOCUMENT (19th) p. 3

City of Allegan Request—Post-Retirement Change in Form of Payment of Retirement Allowance – Mr. Moquin referred to his memorandum dated April 22, 1999 regarding the City of Allegan's recommendation that the MERS Plan Document be modified to allow retirants to change their selected form of payment of retirement allowances after their retirement. Mr. Seymore moved to approve the Executive Director and General Counsel's recommendations that the request for Plan amendment be declined; and the City Attorney be advised that the Petitioner may in writing request MERS to schedule a “contested case” administrative hearing on Petitioner's claim to set aside Petitioner's concurrence in her late husband's choice of Option V. Ms. Kohut supported the motion. The motion carried unanimously.

City of South Haven Request—Use of Excess Employer Assets for Defined Contribution Requirements – Mr. Moquin referred to his memorandum dated May 11, 1999 and May 13, 1999 regarding the City of South Haven's request to use excess employer assets in their Defined Benefit Program for contributions to the Defined Contribution Program. The City of Albion supported the request. Mr. Seymore moved to approve General Counsel's recommendations as outlined in the May 13, 1999 memorandum. Mr. Todd supported the motion. Following discussion, Mr. Seymore

moved to table this motion. Mr. Todd supported the motion. The motion carried unanimously. Staff was directed to clarify the recommendation and present it at the next board meeting for further consideration.

Ionia County Road Commission Employees Request—Restore Retirement Allowance Form of Payment V— Mr. Lindsay referred to his memorandum dated May 11, 1999 regarding the request from 36 employees from Ionia County Road Commission that the Board reconsider the elimination of Retirement Allowance Form of Payment V – Life with Accelerated Payment. Mr. Seymore moved the Executive Director’s recommendation that the Form of Payment V – Life With Accelerated Payment not be restored to the MERS Plan Document. Mr. Ross supported the motion. A roll call vote was taken as follows: Ms. Kohut – Yes, Mr. Murphy – Yes, Mr. Ross – Yes, Mr. Seymore – Yes, Mr. Todd – Yes, Ms. Wade – No, Mr. Walker – Yes.

ATTORNEY CLIENT CONFIDENTIAL WRITTEN COMMUNICATION (19th) p. 4

Mr. Seymore moved that the Board go into closed session to discuss confidential attorney client matters. Ms. Kohut supported the motion. A roll call vote was taken as follows: Ms. Kohut – Yes, Mr. Murphy – Yes, Mr. Ross – Yes, Mr. Seymore – Yes, Mr. Todd – Yes, Ms. Wade – Yes, Mr. Walker – Yes. The Board then moved to closed session.

OPEN SESSION RECONVENED

Mr. Seymore moved to approve the Executive Director and General Counsel’s recommendations as follows:

Since a large number of MERS participating municipalities and courts have adopted the Reciprocal Retirement Act and the contingent liability which may ensue by its adoption, such liability as may arise will be reflected in the reciprocal unit’s MERS unfunded accrued liability. Therefore, effective May 19, 1999, on a prospective basis and for all pending conversions where asset transfers have not taken place, the MERS calculation procedure previously established by the Board for determining present value of accrued benefit pursuant to MERS Plan Section 19A(11)(b) shall be revised so that Reciprocal Retirement Act qualifying service credit and Plan Section 5 (1) qualifying credited service, which is not duplicative, be recognized for the purpose of determining the earliest retirement date for an unreduced benefit when calculating the present value of accrued benefit.

Ms. Kohut supported the motion. Mr. Todd abstained due to a direct conflict of interest. The motion carried unanimously.

OTHER (19th) p. 4

Road Commission for Ionia County – Mr. Lindsay referred to Mr. Dawidowicz’s letter dated May 18, 1999 and Road Commission for Ionia County letter dated May 11, 1999 regarding their December 31, 1996 and 1997 Annual Actuarial Valuations. After discussion, Mr. Todd moved that Mr. Dawidowicz’s response which addresses the overstatement of assets included in the December 31, 1996 Annual Actuarial Valuation be forwarded to Ms. Dorothy G. Pohl, Managing Director, Road Commission for Ionia County. Mr. Murphy supported the motion. The motion carried unanimously.

STRATEGIC PLANNING (19th) p. 8

Ms. Wade moved to table this agenda item to the following month. Mr. Ross supported the motion. The motion carried unanimously.

June 9 & 10, 1999

APPROVAL OF MAY 18-19, 1999 BOARD MEETING MINUTES (9th) p. 1

It was noted that on page 4 of the minutes, there is an error in the section Open Meeting Reconvened, the word “ensure” should be “ensue.” There is also a misspelled word on page 3, 3rd paragraph, 2nd line it should be “procedure” rather than “procure.” Mr. Seymore moved to approve the May 18-19, 1999 board meeting minutes as corrected. Mr. Ross supported the motion. The motion carried unanimously.

REQUEST FOR CHANGE TO MERS PLAN DOCUMENT (9th) p. 1-2

City of South Haven Request–Use Excess Employer Assets for Defined Contribution Requirements

Mr. Moquin reviewed his June 7, 1999 memorandum. Mr. Linsday indicated that the proposed procedure provides for an annual re-determination based upon the annual valuation, not for a one-time election by the municipality.

There also was discussion regarding the fee and frequency of the transfers. Motion was made by Mr. Murphy to approve the following procedure for transferring excess employer assets in the MERS’ Defined Benefit Plan to the MERS’ Defined Contribution Plan:

- The participating municipality’s written request that “excess” employer defined benefit contributions be creditable for the employer’s MERS Section 19A Benefit Program DC should exist only where the municipality and all divisions are at least 115% funded level (on an actuarial basis) under the most-recent Annual Actuarial Valuation. The Board shall establish the fee to administer such requests.
- The amount of “excess” employer contributions available for Section 19A Benefit Program DC employer crediting is the dollar difference between the actual funded level for the affected division and the 115% funded level (on an actuarial basis). This “excess” amount would be available for employer DC crediting until the next Annual Actuarial Valuation. At that time, full re-determination of continuing eligibility would be made on the 115% funded level barometer for all divisions.
- The DC creditable amount shall be drawn by MERS from the Section 47 Reserve for Employer Contributions and Benefit Payments for the division, in the dollar amount certified by the participating municipality, and transferred to the Section 46A Reserve for Defined Contribution as an employer contribution for the division, and remitted to ICMA-RC. The participating municipality may request in writing the discontinuation of the transfer process for future transfers at any time. MERS shall advise the participating municipality in writing of MERS’ discontinuation of the transfer process for future transfers where MERS determines that funding is below the 115% threshold for any division.

- This procedure shall become effective at such time as the IRS determines that the proposed procedure will not cause MERS not to be qualified for tax purposes under the Internal Revenue Code of 1986. General Counsel is directed to submit the proposed procedure to the IRS for determination.

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

STRATEGIC PLANNING (9th) p. 2

Discussion was held regarding the need to establish short term and long term goals and the need to prepare action plans. Mr. Seymore moved that for purposes of MERS' Strategic Planning short-term goals should be accomplished within three months to one year and long term goals may take over one year to accomplish. Further, staff was instructed to categorize goals into short term and long term categories for consideration at next month's board meeting. Mr. Johnson supported the motion. The motion carried unanimously.

ATTORNEY-CLIENT CONFIDENTIAL WRITTEN COMMUNICATION (9th) p. 3

Mr. Seymore moved that the Board go into closed session to approve closed session minutes from last month and to discuss the Attorney-Client Confidential Written Communication regarding MERS v Federal litigation. Mr. Johnson supported the motion. A roll call vote was taken, the results of which are as follows: Bruce Johnson – yes, Raymond Klosowski – yes, Dennis Murphy – yes, Kenneth Ross – yes, Bruce Seymore – yes, Fred Todd – yes, Kristen Wade – yes, Dale Walker – yes.

OPEN SESSION RECONVENED

- Mr. Johnson made a motion to adopt the recommendation as made in the Attorney-Client Confidential Communication of June 7, 1999. Mr. Klosowski supported the motion. The motion carried unanimously.
- Mr. Seymore made the motion to approve the Closed Session Minutes for May 19, 1999. This motion was supported by Mr. Klosowski. The motion carried unanimously.

SPECIAL ANNUAL EXPENSE CHARGES (10th) p. 4

Mr. Lindsay referred to his memorandum dated June 2, 1999 regarding Special Annual Expense Charges for Calendar 1998. Mr. Seymore initiated discussion about whether the charges should be assessed to each division or shared among the affected divisions. Others commented about the possibility of increasing the charges to more properly reflect MERS' costs incurred by the adoption of non-standard benefits.

Mr. Moquin commented about the need for a cost relationship between the charges to the actual additional cost itself that is being created by administering these benefits.

Mr. Todd moved that the Special Expense Charge Policy be referred back to staff for possible recommended modifications. Mr. Seymore supported the motion. The motion was carried unanimously.

July 14 & 15, 1999

STRATEGIC PLANNING (14th) p. 2

Mr. Lindsay reviewed the short term and long term goals requested at the June Board Meeting. After lengthy discussion, Ms. Kohut moved that the Executive Director be authorized to schedule a Strategic Planning Consultant to lead a strategy planning session to be held in the month of October. Mr. Seymore supported the motion. The motion carried unanimously.

INVESTMENT REPORT (14th) p. 2

Mr. Murphy moved to delete the detail holdings report currently being provided on monthly basis and instead for staff to provide a statistical summary on how many shares traded and what the transaction cost were on a calendar year basis, the first report to be due in January 2000. Mr. Johnson supported the motion. The motion carried unanimously.

Ms. Wagner reviewed a Malaysia Country Index Fund update from Barclays Global Investors on Malaysia. Mr. Johnson moved to authorize the Director of Investments to sell MERS' units in the MSCI Malaysia Country Fund for the next scheduled fund opening on July 30th and hold Ringgit proceeds in MERS' account and repatriate after September 1, 1999 when the levy is eliminated. Mr. Ross supported the motion. The motion carried unanimously.

INVESTMENT COMMITTEE REPORT (15th) p. 3

Mr. Lindsay referred to his memorandum dated July 7, 1999. He commented that the proposed revisions to the Investment Guidelines dated July 14, 1999, were reviewed with the investment committee on Monday, July 5, 1999.

After discussion, the following additional revisions were made (added text is underlined):

I. B. 1. a.

Achieve the MERS actuarial investment return assumption rate which is currently 8% on an annualized basis.

II. E. 2. a.

The manager's portfolio will average investment grade or better. The implied rating on non-rated securities is recognized for this purpose.

A companion Glossary Of Terms will be developed by Ms. Wagner. Mr. Seymore moved to adopt the Investment Guidelines as amended. Mr. Klosowski supported the motion. The motion carried unanimously.

Mr. Seymore moved that the Executive Director be authorized to consent to the change to the investment guidelines of the Morgan Stanley Capital International (MSCI) Developed Market Index country funds to begin using futures and forward contracts in the individual country funds with no more than 5% of the overall EAFE strategy invested in futures and forwards at any time, as requested by Barclays Global Investors in their letter dated April 30, 1999. Ms. Kohut supported the motion. The motion carried unanimously.

Mr. Klosowski moved to adopt the recommendation by the Investment Committee and Staff that the request by Wellington Management Company for a management fee increase be postponed until the investment manager is removed from probation status, and that the Director of Investment advise

Wellington Management Company of the Board's response. Ms. Wade supported the motion. The motion carried unanimously.

ACTUARY REPORT (15th) p. 3, 4

Mr. Seymore moved to approve the proposed technical change in valuation procedures as recommended in Mr. Dawidowicz's letter dated July 13, 1999. For the December 31, 1998 actuarial valuations for municipalities with actuarial accrued liability funded percentages that increase from under 100% in the December 31, 1997 actuarial valuation to 100% or greater in the December 31, 1998 actuarial valuation, the actuary shall continue to include in the development of employer contribution amounts an amortization of the unfunded (or overfunded) actuarial accrued liability for all divisions in the municipality. Mr. Klosowski supported the motion. The motion carried unanimously.

POLICY FOR TRANSFER OF ASSETS (15th) p. 4

Mr. Linsday referred to his memorandum dated July 8, 1999 regarding a "Policy for Transfer of Assets" when a member transfers from one division to another division within a municipality. He pointed out that in the past, the transfers that were accomplished by the actuary would have restricted the dollar amount transferred to not exceed 100% of the funding level of the liability. Under the proposed policy, transfers would be done on a pro-rata basis with no cap. Mr. Ross moved that effective January 1, 1999, MERS shall transfer assets as of the first day of the month that a member transfers from one division to another division within a municipality as follows:

Determine the member's actuarial accrued liability percentage by dividing the dollar value of the member's actuarial accrued liability as of the most recent annual actuarial valuation by the dollar value of the actuarial accrued liability for the entire division. Multiply that percentage by the division's current total combined balances in the Reserve for Employee Contributions and the Reserve for Employer Contributions and Benefit Payments to determine the amount to transfer from the Reserve for Employer Contributions and Benefit Payments. If there are any accumulated employee contributions, that amount is transferred to the new division's Reserve for Employee Contributions and subtracted from the amount to transfer from the Reserve for Employer Contributions and Benefit Payments. However, the total amount to be transferred shall always be at least equal to the accumulated employee contributions.

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

UPGRADE OF PEOPLESOFT HR SYSTEM (15th) p. 4

Mr. Linsday referred to his memorandum dated July 9, 1999. Ms. Kohut moved to authorize the Chairperson and Executive Director to execute a consulting services agreement with IBM for up to 800 hours at \$165 per hour plus travel and living expenses estimated at 15-20% for the purpose of upgrading MERS' Pension and Payroll modules of PeopleSoft HR System to 7.5 from 6.01. Mr. Ross supported the motion. The motion carried unanimously.

OFFICE WORKSTATIONS (15th) p. 5

Mr. Linsday referred to his memorandum dated July 9, 1999, regarding office workstations and conference/training room. He pointed out that we have more staff than we have workstations, and that this project was delayed until the IBM team completed their project and vacated the training room so the build out to provide adequate work space for staff could move forward. Mr. Murphy moved that the Chairperson and the Executive Director be authorized to enter into an agreement

with Allied Office Interiors in the amount of \$45,285.44 for the purchase and installation of Steelcase office workstations needed for the Information Systems' Department and the conference/training room. Mr. Seymore supported the motion. The motion carried unanimously.

BOARD MEMBER NOMINATION AND SELECTION PROCEDURE (15th) p. 5, 6

Mr. Lindsay distributed the Proposed Board Member Nomination and Selection Procedure Submitted for Approval by the Delegates at the 1999 Annual Meeting (October 1, 1999), and proposed to change the number of days that an interested party has to submit their interest in becoming a Board member to 45 days from 30 days before the annual meeting. By doing this, Staff will have more time to prepare materials for inclusion of Board member nominations in the annual meeting bulletin as required by the MERS Plan Document.

Mr. Klosowski moved that the first sentence under the heading of "Officer and Employee Member" and the first sentence under the heading "Retired Member" be changed to 45 days from 30 days as follows:

OFFICER AND EMPLOYEE MEMBER - Nominations for the selection of officer and employee members to serve on the MERS' Board shall be submitted in writing on an official nomination form to the MERS office 45 days prior to the date set for the Annual Meeting.

RETIRED MEMBER – The Board shall nominate 1 or more candidate(s) for the Retired Member Board position [, and]. the membership may forward to the Board for its consideration at any time but not less than 45 days prior to the date set for the Annual Meeting, candidate(s) for Board appointment or Board nomination to the Retired Board Member position.

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

CERTIFICATION OF MERS DELEGATES TO THE 1999 ANNUAL MEETING (15th) p. 6

Mr. Lindsay referred to his July 14, 1999 memorandum regarding certification of MERS delegates to the 1999 Annual meeting reflecting his recommendation of the same. Mr. Ross moved to approve the Executive Director's recommendation that Ms. Anne Wagner represent MERS as the Officer Delegate, Mr. Gordon Lindsay - Officer Alternate, Mr. Jamison Smythe – Employee Delegate, and Ms. Janet Richmond – Employee Alternate. Ms. Kohut supported the motion. The motion carried unanimously.

CLOSED SESSION TO REVIEW JUNE CLOSED SESSION MINUTES (15th) p. 6

Chairperson Walker asked for a motion to go into closed session to review the closed session minutes from the June Board meeting. Mr. Seymore moved to go into closed session to review the June closed session board minutes. Ms. Kohut supported the motion. A roll call vote was taken, the results of which are as follows: Bruce Johnson – yes, Raymond Klosowski – yes, Donna Kohut – yes, Dennis Murphy – yes, Kenneth Ross – yes, Bruce Seymore – yes, Kristen Wade – yes, Dale Walker – yes. Fred Todd was absent. The motion carried unanimously.

OPEN SESSION CALLED TO ORDER (15th) p. 6

Mr. Seymore moved to approve the June 9, 1999 Closed Session Board Meeting Minutes. Mr. Klosowski supported the motion. The motion carried unanimously.

August 11 & 12, 1999

INVESTMENT REPORT (11th) p. 2

After discussion regarding Wellington Management's request for a fee increase, Mr. Murphy moved to approve the recommendation in Ms. Wagner's May 10, 1999 memorandum as follows: 30 basis points on the first \$100 million, 15 basis points on \$100 - \$200 million and 12.5 basis points on over \$300 million effective October 1, 1999. Mr. Johnson supported the motion. The motion carried unanimously.

CLOSED SESSION TO DISCUSS PERSONNEL MATTERS AND PENDING LITIGATION MATTERS (11th) p. 2

Mr. Todd moved to go into executive session to discuss personnel matters and pending litigation matters. Mr. Ross supported. A roll call vote was taken as follows: Mr. Johnson – Yes, Mr. Klosowski – Yes, Ms. Kohut – Yes, Mr. Murphy – Yes, Mr. Ross – Yes, Mr. Seymore – Yes, Mr. Todd – Yes, Mr. Walker – Yes.

After a very brief discussion, it was the consensus of the Board that these items may be properly discussed in open session.

THE OPEN MEETING WAS CALLED BACK TO ORDER (11th) p. 2

1999 BUDGET AMENDED (11th) p. 2

Mr. Seymore moved that the 1999 Budget be amended under Administrative Expenses to increase professional services by \$125,000. Mr. Todd supported the motion. The motion carried unanimously.

INVESTMENT COMMITTEE REPORT (12th) p. 3

After reviewing the Investment Committee report dated August 9, 1999, Mr. Todd moved to approve the Investment Committee's recommendation that ARM Capital Advisors be terminated with an immediate effective date. It was further recommended and moved for approval that the assets of the portfolio be assigned as a separate account to Reams Asset Management. They will exercise discretion as to whether the assets are sold or transferred to the portfolio that they manage. Sale proceeds will be added to the Reams portfolio upon completion of settlement. This is to be accomplished within 90 days or a prudent time frame. The new fee schedule will be in accordance with communication from Ms. Anne Wagner dated August 3, 1999. Mr. Ross supported the motion. The motion carried unanimously.

SPECIAL ANNUAL EXPENSE CHARGES (12th) p. 4

After discussion, Mr. Todd moved to approve the proposed procedure as amended which follows:

SPECIAL ANNUAL EXPENSE CHARGES PROCEDURE

Effective January 1, 2000

Retirement Board Approved August 12, 1999

To provide for equitable allocations of administrative expenses associated with employee divisions, and non-standard benefit and contribution programs, the following special annual expense charges shall be assessed to each affected participating municipality or court as of December 31 of each year:

EXCESS EMPLOYEE CLASSIFICATIONS

\$1,000 for each employee classification in excess of five divisions.
The total charge shall be allocated equally between all employee divisions.

MODIFICATIONS OF MERS STANDARD BENEFIT PROGRAMS

\$6,000 first year charge, including one-time charge for set-up/programming, allocated equally between all affected divisions.

CONTRIBUTION PROGRAMS WITH EMPLOYER CONTRIBUTION CAPS

\$1,000 annual charge to each affected employee division.

NOTE: Modifications of MERS Standard Benefit Programs include, but are not limited, to compensation, final average compensation (FAC) period, factor which is multiplied by the member's FAC multiplied by the member's credited service to determine the retirement allowance, benefit programs which permit retirement allowances to exceed 80% of FAC, post-retirement COLAs and vesting periods.

This procedure supersedes the Special Annual Expense Charges Resolution last amended at the November 12, 1997 Retirement Board Meeting, and shall be effective January 1, 2000.

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

LARRY ROBINSON v MERS & SMART (12th) p. 5

Mr. Murphy moved to approve the Findings of Fact, Conclusions of Law and the Proposed Decision in the matter of Larry Robinson v MERS and SMART, Respondent, in the Proposal For Decision dated June 2, 1999 by Administrative Law Judge Elizabeth R. Schwartz. Mr. Seymore supported the motion. The motion carried unanimously.

MABLEAN PORTER v MERS AND COUNTY OF SAGINAW (12th) p. 5

Mr. Seymore moved to approve the Findings of Fact, Conclusions of Law and the Proposed Decision in the matter of Mablean Porter v MERS, Respondent, and County of Saginaw, Intervenor, in the Proposal for Decision dated June 15, 1999 by Administrative Law Judge Elizabeth R. Schwartz. Mr. Ross supported. The motion carried unanimously with Mr. Todd abstaining.

STAFF (12th) p. 5,

Budget – In response to a question from the Chairperson, Mr. Lindsay explained that for “Depreciation” under the heading of “Miscellaneous”, the intent is to record the expense quarterly; however, there has been a transition period with the new system and this information has not been

processed yet. Ms. Kohut inquired about “Other Consultants” under “Professional Services.” Mr. Lindsay explained that it was IPC’s last billing for 1998 that was accrued as part of the investment manager’s expenses in 1998. Ms. Kohut also commented that we are behind on the capital outlay acquisitions. Mr. Lindsay commented that we have some outstanding bills from IBM related to the PeopleSoft financial project. Also the PeopleSoft pension upgrade to 7.5 is underway. The budget for Label Makers will not be needed since the present ones are compatible with the PeopleSoft system. Mr. Seymore asked why the financial year to date figure does not balance when you add the first quarter expenses to the second quarter expenses. Mr. Seymore moved that the Budget status report be referred back to staff for clarification. Ms. Kohut supported the motion. The motion carried unanimously.

OTHER (12th) p. 8

MAPERS – Information regarding the fall MAPERS conference was distributed to those interested in attending. Mr. Klosowski, Mr. Ross and Mr. Murphy expressed an interest in attending. Mr. Seymore moved that Mr. Klosowski and Mr. Ross be appointed the delegate representatives to the MAPERS fall conference. Mr. Murphy supported the motion. The motion carried unanimously.

September 28, 1999 and October 1, 1999

APPROVAL OF AUGUST 11 & 12, 1999 and JULY 14 & 15, 1999 BOARD MEETING MINUTES (Sept. 28th) p. 1

A correction was made on page 3 of the August 12, 1999 minutes in the Investment Committee Report. The sentence “The new fee schedule will be used to amend the current contract with Reams and apply only to the assets in their portfolio” was deleted. In its place the sentence “The new fee schedule will be in accordance with communication from Ms. Wagner dated August 3, 1999” will be added. Mr. Ross moved to approve the Board meeting minutes for August 11 & 12, and July 14 & 15 as corrected. Mr. Dennis Murphy supported the motion. The motion carried unanimously.

Mr. Seymore moved to amend page 2, under Closed Session To Discuss Personnel Matters and Pending Litigation Matters. The following sentence will be added as a second paragraph to the existing minutes: After a very brief discussion, it was the consensus of the Board that these items may be properly discussed in open session. Also on page 2 under Personnel Matters the word “formal” will be deleted. Mr. Todd supported the motion. The motion carried unanimously.

PROPOSED INITIAL ACTUARIAL VALUATION AND SUPPLEMENTAL VALUATION PROCEDURE AND REVISION TO SECTION 2C (3) OF THE MERS PLAN DOCUMENT (Sept. 28th) p. 2

Mr. Seymore moved to approve the Initial Actuarial Valuation and Supplemental Valuation Procedure and the Revision to Section 2C (3) of the MERS Plan Document. Mr. Klosowski supported the motion. The motion carried unanimously.

RESOLUTION HONORING OFFICER BOARD MEMBER, FRED TODD (Sept. 28th) p. 11

Mr. Johnson moved that a resolution honoring Fred Todd be adopted with extreme gratitude for a job well done for his service to the MERS Retirement Board. Mr. Seymore supported the motion. The motion carried unanimously.

RESOLUTION HONORING BARBARA JOLLS, DIRECTOR OF MEMBER AND RETIREE SERVICES (Sept. 28th) p. 11

Mr. Klosowski moved that a resolution honoring Barbara Jolls be adopted with extreme gratitude for a job well done for her 33+ years of service to MERS. Mr. Seymore supported the motion. The motion carried unanimously.

APPOINTMENT OF DENNIS MURPHY FOR PUBLIC BOARD MEMBER—THREE-YEAR TERM ENDING DECEMBER 31, 2002 (Sept. 28th) p. 11

Mr. Seymore moved that Mr. Dennis Murphy be re-appointed to serve as the Board’s Public Member for a three-year term ending December 31, 2002. Mr. Ross supported the motion. The motion carried unanimously.

APPOINTMENT OF JOHN MURPHY (Oct. 1st) p. 12

Mr. Seymore moved that Mr. John Murphy be appointed to fill the unexpired term of Officer Board Member, Fred Todd, beginning October 1, 1999 through December 31, 1999. Mr. Ross supported the motion. The motion carried unanimously. The Board congratulated and welcomed Mr. John Murphy.

MUSKEGON COUNTY CORRESPONDENCE (Oct. 1st) p. 13

Ms. Kohut moved that Muskegon County be allowed to implement effective January 1, 2000 a revised employer contribution payment schedule based on the December 31, 1998 annual valuation. Mr. Seymore supported the motion. The motion carried. Ms. Wade abstained.

OTHER (Oct 1st) p. 13

Mr. Seymore asked about the Large Cap Value Manager Search and pointed out that since the Investment Committee was not able to meet, the established time-table in the Request For Information will have passed. Mr. Seymore moved that the search for the Large Cap Value Manager be postponed until after the first of the year. Since Mr. Walker is replacing Mr. Todd on the Investment Committee, it will afford him the opportunity to review the substantial information that is being considered. Ms. Wade supported the motion. The motion carried unanimously.

Mr. Ross moved that Mr. Joe Capozzoli be invited to the November Board meeting for an educational presentation to the Board regarding real estate operating companies. Mr. Klosowski supported the motion. Mr. Linsday commented that at the August Board meeting this matter had been referred to the Investment Committee and that he had so advised Mr. Capozzoli on August 13. However, Mr. Capozzoli has not yet provided any information for the Investment Committee to consider. The motion carried unanimously.

Mr. Ross moved that a draft of the Member Handbook be available for the Board's review at the November Board meeting. Ms. Wade supported the motion. The motion carried unanimously.

NO SCHEDULED BOARD MEETING IN OCTOBER 1999

November 10 & 11, 1999

MEMBER HANDBOOK (10th) p. 7

Ms. Kohut did not receive the proposed revisions to the Member Handbook. Mr. Ross inquired at what grade level was the proposed revision written. The Executive Director responded it was written at the 12th grade level. This generated discussion about the possible need to make the handbook easier to read. Mr. Dennis Murphy moved to table further discussion of the Member Handbook until the December Board Meeting. Mr. Ross supported the motion. The motion carried unanimously.

INVESTMENT REPORT (10th) p.7-8

Large Cap Equity Value Manager Search – Mr. Klosowski moved that the Retirement Board authorize the Investment Committee to narrow the “short list” further in January 2000 to three candidates plus the current manager. This will permit the use of third and fourth quarter performance returns in the deliberation process. The four finalists will be scheduled for presentations to the Retirement Board. Mr. Ross supported the motion. The motion carried unanimously.

Real Estate Policy – Mr. Dennis Murphy moved that the Retirement Board reconsider its decision to not employ a real estate consultant. That in order to provide the opportunity to diversify the real estate portfolio beyond just investing in REITS, MERS staff, in cooperation with the Investment Committee, be authorized to commence a search for a real estate consultant. Mr. Johnson supported the motion. The motion carried unanimously.

Outside Vendor Inquiry – Mr. Johnson moved that all written requests by outside vendors for either educational or product specific investments opportunities shall be directed to the Director of Investments or the Executive Director. These requests shall be put on a list and referred to the Investment Committee for consideration as possible presentations to the Retirement Board. Mr. Klosowski supported the motion. The motion carried unanimously.

Ms. Wade moved to receive and file the investment report. Mr. Klosowski supported the motion. The motion carried unanimously.

CAPITAL EXPENDITURE/AMENDMENT TO THOMSON INVESTMENT SOFTWARE AGREEMENT (10th) p. 8

Mr. Lindsay referred to the memorandum dated November 2, 1999, and commented that this request is to amend the software license agreement with Thomson Information Services Inc. by purchasing an additional Portia workstation for the Investment Area. Portia is the software system that is currently used to manage all of the investment information. While \$30,000 was budgeted, the actual quote received is for \$25,000. After discussion, Mr. Dennis Murphy moved to authorize the Executive Director to execute the Software License Agreement: Addition of Optional Features, with Thomson Information Services, Incorporated. Mr. Seymore supported the motion. The motion carried unanimously.

STAFF OPERATIONS (10th) p. 9

2000 Board Meeting Agenda – After review, Mr. Seymore moved to approve the dates and locations as amended with the exceptions of May, June, July, and October. Hancock Timber’s April presentation was deleted. The date of the May meeting was changed to the 23rd and 24th to coincide with the MAPERS meeting at the Amway Grand. The June meeting dates will be the 28th and 29th; the July meeting will be moved to the 19th and 20th; and, the October meeting will be held in Lansing. Ms. Wade supported the motion. The motion carried unanimously.

Proposed Plan Amendment Adding Section 46B, “Transfers of Excess Assets to Defined Contribution Reserve”

The Assistant Counsel’s November 9, 1999 memorandum was reviewed. After discussion, Mr. Seymore moved to approve the following amendment to the Plan Document by adding Section 46B as follows:

Sec. 46B. Transfers of Excess Assets to Reserve for Defined Contribution Plan

- (1) A participating municipality or participating court may request in writing that “excess” employer defined benefits contributions be creditable for the employer’s MERS Section 19A Benefit Program DC. MERS shall consider such requests only where the municipality or court and all divisions are at least 115% funded (on an actuarial accrued liability basis) under the most recent Annual Actuarial Valuation. The Board shall establish the fee to administer such requests.
- (2) The amount of “excess” employer contributions available for Section 19A Benefit Program DC employer crediting is the dollar difference between the actual funded level for the affected division and the 115% funded level (on an actuarial accrued liability basis). The “excess” amount shall be available for employer DC crediting until the next Annual Actuarial Valuation. At that time, full re-determination of continuing eligibility shall be made on the 115% funded level threshold for all divisions.
- (3) The DC creditable amount shall be drawn by MERS from the Section 47 Reserve for Employer Contributions and Benefit Payments for the division, in the dollar amount certified by the participating municipality or participating court, and transferred to the Section 46A Reserve for Defined Contribution Plan as an employer contribution for the division, and remitted to MERS’ designated third party administrator or as otherwise directed by MERS. The participating municipality or participating court may request in writing the discontinuation of the transfer process for future transfers at any time. MERS shall advise the participating municipality or participating court in writing of MERS’ discontinuation of the transfer process for future transfers where MERS determines that funding is below the 115% threshold for any division.
- (4) This Section shall become effective only at such time as the IRS determines that the Section will not cause MERS not to be qualified under Section 401(a) of the Internal Revenue Code of 1986.

Note: Section 46B conditionally adopted as provided in subsection (4) by Board action of November 10, 1999.

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

STAFF REPORT (11th) p. 11

MERS Home Office Building Status Update - Mr. Moquin (by speaker phone) reviewed memoranda regarding the MERS Building Acquisition - Application of Unrelated Business Taxable Income (“UBIT”) Provisions Under the Internal Revenue Code of 1986 (dated October 29, 1999) and Status Update – MERS Building Process (dated November 2, 1999).

After discussion, Mr. Dennis Murphy moved that approval be given to the preparation of a needs assessment by CB Richard Ellis/Martin to facilitate consideration of the alternatives of acquiring an existing building or constructing a building and that a presentation be made to the Board providing the firm’s recommendation based upon the needs assessment. Estimated cost is \$3,000. Ms. Kohut supported the motion. The motion carried unanimously.

DEFERRED RETIREMENT OPTION PLANS (DROP) (11th) p. 11

Lt. Michael Powers from Shiawassee County Sheriff’s Department addressed the Board expressing interest in the development of a DROP program.

Mr. Seymore moved that this item be referred to staff and this be brought back to the Board with a recommendation on or before the February meeting. Ms. Wade supported the motion. The motion carried unanimously.

MERS 2000 BUDGET PROPOSAL (11th) p. 11

Mr. Seymore commented that the Budget does not comply with the requirements of the Uniform Budgeting and Accounting Act (1968 PA 2). Mr. Lindsay stated that the budgeting requirements of 1968 PA 2 are not applicable to MERS. After discussion, Mr. Seymore moved that effective with the 2001 budget, all aspects of MERS budget be presented to the Retirement Board in the manner provided by the Uniform Budgeting and Accounting Act (1968 PA 2) and that a further breakdown of expenditures categorized by department be provided. Ms. Kohut supported the motion. The motion carried unanimously.

Ms. Wade moved to approve, effective January 1, 2000, for all MERS employees the adoption of Benefit Program V-6 and a 2.86% general increase in salaries (individually and for the salary range for the position). Mr. Klosowski supported the motion. The motion carried unanimously.

After discussion regarding the Assistant Counsel position, Mr. Ross moved to extend the present contractual engagement, on the same terms, for the Assistant Counsel through December 31, 1999. That effective January 1, 2000 Mr. Petroni become a full-time MERS employee as Assistant Counsel at MERS Grade Level 11. Mr. John Murphy supported the motion. A roll call vote was taken as follows: Donna Kohut – no, Bruce Johnson – yes, Raymond Klosowski – no, John Murphy – yes, Kenneth Ross – yes, Bruce Seymore – yes, Kristen Wade – no, Dale Walker – yes. The motion carried.

After discussion regarding the employment contract with MERS’ General Counsel, Mr. Ross moved that the General Counsel’s salary shall be increased 2.86% effective January 1, 2000. Mr. Klosowki supported the motion. The motion carried unanimously.

Mr. Seymore moved that the consideration of the remainder of the budget be postponed until the December Board meeting. Ms. Wade supported the motion. The motion carried unanimously.

December 8, 1999

BUDGET p. 1, 2 (Continuation of discussion at November 11 meeting.)

Ms. Frane referred to her memorandum dated November 30, 1999. The Board appreciated the reformatted data presented with the 2000 Proposed Budget.

Chairperson Walker asked about the provisions for a 10% bonus for grade levels 8 through 13. Mr. Linsday commented that it is intended that the bonus concept be continued for the staff that is exempt from overtime requirements. A maximum bonus of 10% is included for budgetary purposes. He stated that the 1999 budget included a 6% across the board bonus in the event that the bonus program was expanded to the rest of the staff. However, it was not done, as it was not deemed a priority item by the staff.

Mr. Linsday noted that Mr. Beaton expects to have a draft of the revised Personnel Manual available for the Board's Personnel Committee by January 6th. The revised manual will include a proposal to formalize the Bonus Plan that is currently undefined. One suggestion would be a 1-3% for a satisfactory performance evaluation, 4-6% for above average performance, and 7-10% for exceptional performance.

Mr. Linsday commented further that it will be proposed that the bonus concept be treated as merit compensation, so that it would be included in final average compensation. If this concept is approved, employee and employer contributions would have to be made on such merit compensation.

Mr. Seymore asked about the \$150,000 disaster recovery in Information System's budget. Mr. Linsday commented that while we store back-up files off site, we do not have arrangements in place for a back-up computer system in case of a disaster. This provides the wherewithal to determine those needs and in case of an emergency, to provide for a backup computer system.

Ms. Frane and Mr. Linsday responded to questions about contingencies and sundry other items in the budget. An extensive discussion was held regarding the proposed grade level adjustments for selected positions.

Ms. Kohut moved to approve the fiscal year 2000 Administrative and Investment Expense Budget in the amount of \$15,347,100 and a Capital Budget in the amount of \$131,000. Mr. Johnson supported the motion. The motion carried unanimously.

MEMBER HANDBOOK p. 2

Mr. Linsday commented that the current and proposed Member Handbooks are written at the 12th grade reading level. He said that it would likely take a considerable amount of time to revise the proposed handbook to a lower reading level. After discussion, the Board requested that MERS' address and phone number be included on the Frequently Asked Questions page and that changes be made as follows: Page 2 – FAC should be spelled out as Final Average Compensation, Page 3, paragraph 4 – note that the 4% allocation rate is current policy, Page 23 – all references to ICMA-RC should be deleted and in its place should appear "third-party administrator." Ms. Kohut moved to approve the Member Handbook as corrected and further that a new mission statement (to be agreed upon later) be used in the revised Handbook. Mr. Johnson supported the motion. The motion carried.

COMBINING CREDITED SERVICE OF INDIVIDUALS IN MERS DC PROGRAM p. 3

Mr. Lindsay referred to his memorandum dated December 2, 1999, and stated that Staff in the Administrative Services Department has had inquiries regarding this issue. After discussion, Ms. Kohut moved that Staff draft proposed amendments to the Plan Document to address the issue of the disparate treatment of MERS members for service rendered in MERS DC Program. Ms. Wade supported the motion. The motion carried unanimously.

LORETTA CONE v MERS p. 3

Mr. Johnson moved to approve the Findings of Fact, Conclusion of Law and the Proposed Decision in the matter of Loretta Cone v MERS, Respondent in the Proposal For Decision dated October 20, 1999 by Administrative Law Judge Elizabeth R. Schwartz. Mr. Ross supported the motion. The motion carried unanimously.

MARVIN WEGNER v MERS AND CITY OF NORTH MUSKEGON p. 3

Mr. Seymore moved to approve the Findings of Fact, Conclusion of Law and the Proposed Decision in the matter of Marvin Wegner v MERS, Respondent and the City of North Muskegon, Intervenor, in the Supplemental Proposal for Decision dated November 17, 1999, by Administrative Law Judge Elizabeth R. Schwartz. Ms. Wade supported the motion. The motion carried unanimously.

STAFF OPERATIONS p. 4

2000 Monthly Board Meeting Schedule – Mr. Seymore moved to approve the 2000 Monthly Board Meeting Schedule as amended with the July Board meeting date changed to July 18 & 19, and Lombard’s presentation to be made in December rather than November. Mr. Murphy supported the motion. The motion carried unanimously.

2001 Annual Meeting Site Proposal - Ms. Lynes reviewed her memorandum dated December 2, 1999. General discussion evolved around the significant difference in room rates between the Hyatt and the Grand Traverse, the convenience of having all meeting attendees under one roof, and the favorable response from this year’s meeting attendees at the Hyatt Regency in Dearborn.

Ms. Wade moved staff’s recommendation to hold the 2001 Annual Meeting at the Hyatt Regency Dearborn on September 26–28, 2001. Mr. John Murphy supported the motion. The motion carried unanimously.

FIFTY-THIRD ANNUAL MEETING MINUTES p. 7

The Board Requested the following corrections to the 1999 Annual Meeting Minutes: The names of the delegates chosen by Ms. Wade to serve on a committee to collect and tabulate the ballots will be added in the second paragraph under Board Member Nominations and Election, and the last paragraph of the Investment Performance Report will reflect that MERS “Board” and staff work diligently. Also typographical errors on pages one and three were corrected.

Ms. Kohut moved to submit as corrected, the minutes of the 53rd Annual Meeting held on October 1, 1999 to the delegates at the 2000 Annual Meeting for approval. Mr. Seymore supported the motion. The motion carried unanimously.

END OF 1999 MOTIONS