

MUNICIPAL EMPLOYEES' RETIREMENT BOARD

2001 Motions

JANUARY 10, 2001

Election of Board Chairperson p. 1

Mr. Walker turned the meeting over to Ms. Wagner to conduct the Election of Board Officers, which is required in January. Ms. Wagner requested nominations for the Board Chairperson for the year 2001. Mr. Seymore nominated Dale Walker. Seconded by Mr. Klosowski. Mr. Gary Murphy moved that nominations be closed. Supported by Mr. Klosowski. A unanimous vote was cast for Mr. Walker.

Election of Board Vice Chairperson p. 1

Mr. Walker requested nominations for the Board Vice Chairperson. Mr. Klosowski nominated Ms. Wade. Seconded by Mr. Seymore. Mr. Gary Murphy moved that nominations be closed. Supported by Mr. Klosowski. Mr. Klosowski moved to unanimously elect Ms. Wade as Vice Chairperson. Supported by Mr. Gary Murphy. A unanimous vote was cast for Ms. Wade.

Status Report—Martin Property Development p. 1-2

Mr. Moquin provided an update on the building project. On December 19 following the Board meeting, the Building Committee met to hear presentations from two architectural firms: Hobbs & Black from Ann Arbor and Integrated Architecture from Grand Rapids. Both were selected as finalists as part of the bid process Martin Property Management conducted in November 2000. CB Richard Ellis/Martin (Martin Property Development) was chosen by the Board in spring 2000 to be MERS' developer and representative on the building project.

The Building Committee, as so authorized by the Board, chose Integrated Architecture as the architect for the new building.

Mr. Johnson moved that the new building continue as a real estate project and as such be funded from the real estate investment portfolio. Supported by Mr. Klosowski. Motion carried.

Annual Meeting Minutes p. 2

Mr. Moquin distributed a copy of the revision on the minutes with the correct wording regarding the nomination procedure for the Retiree Board Member. Mr. Seymore moved to approve the minutes as corrected for submission to the annual meeting attendees in September 2001. Mr. Dennis Murphy supported. Motion carried.

Muskegon County Request p. 2

Muskegon County submitted a request to the Board for relief of their 2001 defined benefit contributions. Based on the accelerated funding credit program, they will have no required contribution

commencing October 2001. Mr. Dennis Murphy moved to grant Muskegon County's request. Mr. John Murphy supported. Mr. Seymore moved that the motion be amended to read "except for those divisions that are underfunded on the 1999 actuarial valuation report." The amendment was supported by Mr. Klosowski. Ms. Wade abstained from voting on this issue. A roll call vote was conducted on the amendment to permit relief to Muskegon County in payment of its contributions due to over funding except for those divisions that are underfunded. Ms. Wade—abstained, Barbara Fandell—yes, Bruce Johnson—yes, Raymond Klosowski—yes, Dennis Murphy—no, Gary Murphy—yes, John Murphy—yes, Bruce Seymore—yes, Dale Walker—no. Amendment carried with one member abstaining. The motion to permit relief to Muskegon County for payment of their contributions as amended carried.

FEBRUARY 14, 2001

STATUS REPORT: MARTIN PROPERTY DEVELOPMENT p. 1

Mr. Moquin introduced Mr. David Shull from Integrated Architecture and Mr. John Peckam from Martin Property Development. Mr. Shull distributed a time line for the construction of the new MERS Office Building. He also narrated a slide presentation of the site layout and drawings. There was discussion regarding various design features of the building. Mr. Seymore moved to build a full, walkout basement to take advantage of natural topography of the site. Supported by Mr. Klosowski. Motion carried. Mr. Johnson moved that the Building Committee be given the authority to approve the site plan. Supported by Mr. Dennis Murphy. The site plan takes into consideration the requirements of the local building code. Motion carried.

BID PROPOSALS p. 2

Printing of Newsletters—Mr. Dennis Murphy moved to accept the bid from Millbrook for printing the newsletters. Supported by Mr. Klosowski. Motion carried.

Vehicle Replacement—Mr. Seymore moved to accept the bid from Glenn Buege Chevy Olds for the Oldsmobile Silhouette. Supported by Mr. Klosowski. Motion carried.

Data Dimensions Imaging—The bid from Data Dimensions is in two parts, (1) immediate imaging and (2) historical imaging. Our need is immediate imaging of documents at a secure local site. The current provider, Lason Inc., is no longer able to provide these services. The first proposal includes the system set up, the web based retrieval system, converting existing imaging and day forward imaging. A staff position of librarian is needed to set up a system for indexing and managing the storage system as well as cataloging all of the information.

Mr. Dennis Murphy moved to accept the Data Dimensions bid for first proposal on data retrieval and to include an additional position to manage the data. Supported by Mr. Seymore. Motion carried.

REPLACEMENT PC PROPOSAL p. 2

This bid is for the replacement of 25 PC's for the MERS office. Mr. Gary Murphy moved to accept the bid for the leasing of Gateway computers. Supported by Mr. Klosowski. Motion carried.

STAFF OPERATIONS p. 3

Recommendation was also made that dollars be moved from Barclays Small Cap Growth Fund to Barclays Russell 2000 Index Fund due to Barclays closing their Small Cap Funds. The Investment Committee further recommends that a search for a new small cap growth manager be undertaken this summer. Mr. Seymore moved the committee's recommendation to move the funds currently in Barclay's Small Cap Growth Fund to the Russell 2000 Index Fund and undertake a search for an active small cap growth manager this spring. Supported by Mr. Klosowski. Motion carried.

Legal Update p. 4

Mr. Gary Murphy moved to authorize Mr. Moquin to send the Trustee Notification to the State Treasurer regarding Highland Park. Mr. Seymore abstained from voting on this issue. Supported by Mr. Klosowski. Motion carried with one member abstaining.

EXECUTIVE SESSION p. 4

Mr. Seymore moved to go into executive session to discuss a pending legal matter. Supported by Ms. Fandell. A roll call vote was taken as follows: Kristen Wade—Yes, Barbara Fandell—Yes, Bruce Johnson—Yes, Raymond Klosowski—Yes, Dennis Murphy—Yes, Gary Murphy—Yes, John Murphy—Yes, Bruce Seymore—Yes, Dale Walker—Yes.

OPEN SESSION CALLED BACK TO ORDER p. 4

Chairperson Walker called the open session back to order. Mr. Klosowski moved that the Board direct the Executive Director to take the action discussed in closed session. Supported by Mr. Johnson. Motion carried.

PORTIA PROPOSAL p. 4

Ms. Wagner presented a proposal to install an additional Master Transaction File on the Portia System in the Investment Department. Mr. Dennis Murphy moved to accept the proposal. Supported by Mr. John Murphy. Motion carried.

MARCH 14, 2001

ASSET ALLOCATION STUDY p. 2-3

Ms. Wagner reviewed the Board's policy of conducting a full strategic asset allocation study approximately every five years with the mandate to rebalance to the adopted asset class targets annually. During the rebalance process adjustments are made when more than a 1% drift away from the target allocation occurs in an asset class. The allocation study assumes long-term rates of return and measures the overall risk of investment decisions.

Mr. Dennis Murphy moved to approve the asset class targets as presented in the Asset Allocation Study: US Bonds 27%, Non US Equities 13%, US Equities 44% (including 5% in convertibles), High Yield Bonds 5%, Private Equity 5%, Real Estate 5% and Cash 1%. Supported by Mr. Johnson. Motion carried.

STAFF OPERATIONS p. 3-4

Computers p. 3

Due to an error in the bid for the computers last month, the process was redone after last month's Board meeting. Bids were sent to Gateway, Dell and Compaq. Compaq declined to bid. Dell submitted the lower bid for a 24-month lease on 25 computers.

Mr. Seymore moved to reconsider the motion from last month to accept the computer bid from Gateway. Seconded by Mr. Gary Murphy. Motion carried. Mr. Dennis Murphy moved to approve the Gateway Computer bid. Supported by Mr. Gary Murphy. Motion denied.

Mr. Gary Murphy moved to approve the March 9, 2001 bid from Dell Computer Company. Supported by Mr. Seymore. Motion carried.

Benchmark Project p. 4

The proposal from the Cost Effectiveness Measurement (CEM) for the Benchmark Project was presented to the Board. This is designed to be a comprehensive study involving measurement of the services we provide. The project was allocated for in the 2001 budget. Ms. Wagner recommended approval for the project. Mr. Gary Murphy moved to approve the proposal from CEM not to exceed \$29,500. Supported by Ms. Wade. Motion carried.

EXECUTIVE SESSION p. 5

Mr. Gary Murphy moved to go into executive session to discuss a pending legal matter. Supported by Mr. Johnson. A roll call vote was taken: Ms. Wade—yes, Ms. Fandell—yes, Mr. Johnson—yes, Mr. Klosowski—absent, Mr. Dennis Murphy—yes, Mr. Gary Murphy—yes, Mr. John Murphy—yes, Mr. Seymore—yes, Mr. Walker—yes.

OPEN SESSION CALLED BACK TO ORDER p. 3

Chairperson Walker called the open session back to order. Ms. Fandell moved to approve the February closed session minutes that were reviewed in the executive session. Supported by Mr. John Murphy. Motion carried.

STATUS REPORT—MARTIN PROPERTY DEVELOPMENT p. 5

Mr. John Peckham (Martin), Mr. David Shull (Integrated) and Mr. Aaron Jenks (Integrated) gave an update on the new building progress. Mr. Peckham reviewed the cost estimates, indicating he has revised the budget to reflect the information from the architects for a three-story building with approximately 13,000 sq. ft. per floor. The land area is approximately 4.21 acres. Parking will be to Delta Charter Township code requirements for occupied space of 39,000 square feet. Costs for the building project include land purchase, commissions, architectural engineering, site development, and permits to this point.

Mr. Shull and Mr. Jenks gave a Power Point presentation to the Board on the design and site layout of the building. Following discussion and questions, Mr. Gary Murphy moved to approve the schematic site plan. Supported by Mr. Dennis Murphy. Motion carried.

Legal Update p. 6

Mr. Dennis Murphy moved Mr. Moquin's recommendation to notify Baraga Hospital that they should contact the MERS Finance Department immediately to make arrangements for payment on past contributions in order to avoid the Board sending its trustee notification to the State Treasurer's office. Supported by Mr. Gary Murphy. Motion carried.

APRIL 10, 2001

ASSET ALLOCATION STUDY p. 1-2

- **Revised Asset Allocation** p. 1

Mr. Burns requested that the Investment Committee's recommendation to revise the asset allocation study be adopted, moving private equity from 4.6% to 5% and cash from 1% to 1.5%. The changes will be netted against the allocation to US equities. The final asset allocation percentages are: US Bonds 27%, High Yield Bonds 5%, US Equities 43.5%, Non-US Equities 13%, Real Estate 5%, Private Equity 5% and Cash 1.5%. Mr. Seymore moved that the final revisions to the asset allocation plan be approved. Supported by Klosowski. Motion carried.

- **Implementation Strategy** p. 1-2

The strategy for implementing the new asset allocation study was presented by Mr. Burns. This plan outlines the disposition of assets to fund the new asset classes in the portfolio. The recommendation is to fund high yield bonds from the current assets in U.S. bonds and convertible bonds using a conservative approach. Consideration will be given to current manager's high yield capabilities as well as any competitors to assess the requirements for a manager search. Since Private Equity has a longer term buying requisite, the liquidity of equities would facilitate making contributions from that asset class to meet the private equity funding.

The plan recommends that the Comerica S&P 400 Index Fund be increased to 5% by moving assets from the Comerica S&P 500 Index Fund. This would leave 5% in a combination of the S&P 500 Index and the enhanced strategy S&P 500 PEP Fund. Further that a search for a small cap growth equity manager be instituted to replace the current index fund managed by Barclays Global Investors.

Mr. Seymore moved for the adoption of the implementation plan with the deletion of any suggested investment managers for the new assets. Supported by Mr. Gary Murphy. Motion carried.

Building Status Report p. 2

Mr. John Peckham (CB Richard Ellis/Martin, MERS' developer) reported that approval from Land Equities (the condominium developer) was received on the elevation and site plan for the new home office building. He noted that the Delta Township Planning Commission would enforce the township ordinance to require all future parking be built at the time of construction and not later. He reviewed the proposed budget with a reduction in the estimated building construction cost for the main and upper levels from \$115 per sq ft to \$112. The site development budget increased from \$360,000 to \$430,000 to accommodate the additional parking space requirements. He further stated that with the slow down in the building trades, competitive bidding is more advantageous now than it was six months ago.

Mr. Aaron Jenks and Mr. David Shull from Integrated Architecture presented dimensional drawings and the updated plans for the building. The timetable is on schedule with a target of breaking ground on or around June 1.

Mr. Seymore moved to approve the budget for the building and the building elevation including the architect's design as presented. Supported by Mr. Klosowski. Motion carried.

Investment Guidelines p. 2

The task of developing a "clean" draft of the investment guidelines will be undertaken by Mr. Dennis Murphy. The Investment Committee and Mr. Burns will review the draft and submit it to the Board for final approval. Mr. Dennis Murphy made the motion to make changes in the Investment Guidelines to reflect the implementation of high yield bonds and private equity asset classes in the portfolio. Supported by Ms. Fandell. Motion carried.

INVESTMENT REPORT p. 2

Ms. Wagner reported that Gary D. Campbell has been appointed President and Chief Investment Officer of Kennedy Capital Management. Mr. Seymore moved to put Kennedy Capital Management on probation due to a major change in the organization. Supported by Mr. Klosowski. Motion carried.

Actuarial Asset Adjustment Factor p. 3

In the June 2000 minutes the actuarial asset value discussion was removed from the table and the recommendation to re-establish the actuarial asset valuation at 95% of the market value was put up for a motion. **Mr. Seymore moved that MERS adopt the actuary's recommendation. Supported by Mr. John Murphy. Motion carried. This action had been inadvertently omitted from the June 2000 meeting minutes.**

STAFF OPERATIONS p. 3

Staff Update

Building Lease p. 3

Mr. Gary Murphy moved to approve the second addendum to the lease that has been negotiated with the landlord on the current office space to extend the lease through February 2002. This includes an option for an additional month through March 2002 at the same price. Supported by Mr. John Murphy. Motion carried.

Personnel Committee p. 3

The Personnel Committee reviewed the executive director's job description and will make the suggested changes. Mr. John Murphy moved that the Board member and Executive Director job descriptions be approved subject to the changes as discussed during this meeting. Supported by Ms. Fandell. Motion carried. The committee is working with Mr. Hasenfuss and Ms. Wagner to develop the questions for the executive director's evaluation which they plan to have ready by the May Board meeting.

Salary Study p. 4

Mr. Beaton, Director of Administrative Services, reviewed three bids for the salary study and recommended the selection of Mr. William Rye to conduct the study. Mr. Seymore moved that the recommendation be approved. Supported by Mr. Gary Murphy. Motion carried.

LEGAL UPDATE p. 4-5

Highland Park Update p. 4

Mr. Seymore will not participate in any discussion regarding the Highland Park case.

Mr. Moquin recommended that the Board reject the City's request for a hearing to present its contribution deficit reduction plan. Mr. Gary Murphy moved to deny the City's request for a hearing. Seconded by Mr. Klosowski. Motion carried with Mr. Seymore's abstention.

Ingham County Road Commission p. 5

Mr. Gary Murphy moved that the notification letter regarding delinquent contributions be sent to the Ingham County Road Commission. Supported by Mr. Klosowski. Motion carried.

EXECUTIVE SESSION p. 5

Mr. Seymore moved to go into Executive Session to discuss resolution of a pending legal matter. Supported by Mr. John Murphy. A roll call vote was taken as follows: Kristen Wade, absent; Barbara Fandell, yes; Bruce Johnson, absent; Raymond Klosowski, yes; Dennis Murphy, yes; Gary Murphy, yes; John Murphy, yes; Bruce Seymore, yes; Dale Walker, yes.

OPEN SESSION CALLED BACK TO ORDER p. 5

Chairperson Walker called the open session back to order. Mr. Seymore moved that the resolution of the GRS matter as discussed in closed session be approved. Supported by Mr. Dennis Murphy. Motion carried.

MAY 22-23, 2001

RFP FOR DEFINED CONTRIBUTION PROVIDER (23rd) p. 2

Mr. Seymore moved that the staff interview the three TPA finalists for the defined contribution program and recommend one to the Board at the June meeting. Board members wishing to attend the interviews should notify staff. Supported by Mr. Gary Murphy. Motion carried.

INVESTMENT REPORT (23rd) p. 2-3

Mr. Johnson moved approval of the investment committee's recommendation to invest in the Mesriow Fund of Funds II but increasing the recommended amount from \$40 to \$50 million with a split of \$40 million to the fund and \$10 million to direct placement. Supported by Mr. Dennis Murphy. Motion carried.

Following discussion on the high yield bond allocation, Mr. Seymore moved to postpone the selection of a high yield bond manager until the June Board meeting with a staff recommendation at that time. Seconded by Mr. Johnson. Motion carried.

PROPOSAL FOR PTO (23rd) p. 3

Mr. Seymore moved that the Executive Director's recommendation to adopt a Paid Time Off (PTO) policy of allowing new employees to use their accrued PTO time during their first six months of employment (probationary period) with repayment deducted from their last check of any used time if they leave employment before the completion of probation. Supported by Ms. Wade. Motion carried.

ACTUARY CONTRACT RECOMMENDATION (23rd) p. 3

Ms. Wade moved to approve the Executive Director's recommendation to distribute a Request for Proposal for actuary services to prospective firms in July. Supported by Ms. Fandell. Motion carried.

STAFF OPERATIONS (23rd) p. 3

Personnel Committee – Executive Director's Evaluation: Ms. Wade, Chairperson, reported on the process for the Executive Director's evaluation. Mr. Hardy Hasenfuss will format the questions submitted for the Board's review into an evaluation questionnaire. This questionnaire will be mailed to each Board Member to complete. Mr. Hasenfuss will receive the completed questionnaires and prepare a report to be mailed to Executive Director Wagner, Chairperson Walker, and the members of the Personnel Committee. A summary report will be available to Board Members in July. Mr. Klosowski moved to approve the Personnel Committee's evaluation questions for the Executive Director. Mr. Dennis Murphy seconded the motion. Motion carried.

Personnel Recommendation:

Mr. Seymore moved to approve the Executive Director's request to move the hire date of the Benefit Specialist from October 1 to July 1, 2001. Mr. Klosowski supported the motion. Motion carried.

LEGAL UPDATE (23rd) p. 5

Mackinac Straits Hospital: Mr. Moquin has prepared the Trustee Notification letter for the Board to consider and approve to send to the State Treasurer. Mackinac Straits Hospital is delinquent through the month of April, which amounts to approximately \$160,000. Mr. Seymore moved to authorize sending of the Trustee Notification letter. Supported by Mr. Klosowski. Motion carried.

CLOSED SESSION (23rd) p. 5

Mr. Klosowski moved to go into closed session to read the minutes from last month's closed session. Supported by Mr. Gary Murphy. Roll call: Fandell—yes, Johnson—yes, Klosowski—yes, Dennis Murphy—yes, Gary Murphy—yes, John Murphy—yes, Wade—yes, Seymore—yes, Walker—yes. Mr. Gary Murphy moved to close the closed session. Supported by Mr. Klosowski. Motion carried

OPEN SESSION (23rd) p. 5

Chairperson Walker called the open session back to order. Mr. Seymore moved to approve the closed session minutes. Supported by Mr. Gary Murphy. Motion carried.

JUNE 13-14, 2001

CLOSED SESSION MINUTES (13th) p. 1

Mr. Gary Murphy moved to approve the closed session minutes as corrected. Supported by Mr. Klosowski. Motion carried.

RFP FOR DEFINED CONTRIBUTION PROVIDER (13th) p. 2

Ms. Wagner distributed a report on the search process. The administrative staff and the Executive Director after considerable time and effort recommend a contract renewal with ICMA-RC subject to the successful negotiation of fees and various items of concern. As part of the due diligence effort, the staff met with the finalists on May 30 and called them back again on June 8 for more questions. There was considerable discussion and analysis.

Mr. Seymore cited the extensive endeavor that the staff has made on this project and moved that the recommendation of the Executive Director be adopted. Supported by Mr. John Murphy. Motion carried.

INVESTMENT REPORT (14th) p. 2

The Investment Committee and Mr. Burns recommend to the Board that the high yield bond allocation of 5% be given to Reams Asset Management. The implementation strategy recommends that the allocation be funded by subtracting 4.2% from the core fixed income portfolio managed by Reams and deducting .8% from the convertible portfolio managed by TCW for the total of 5%. The Investment Committee will further discuss an acceptable strategy for this allocation with the Reams portfolio manager. Ms. Wagner concurs with the recommendation. Mr. Johnson moved to adopt the recommendation and the implementation. Supported by Mr. Gary Murphy. Motion carried.

JULY 9-10, 2001

BUILDING STATUS REPORT (9th) p. 1-2

Mr. Moquin reported that the contractor is scheduled to begin work on the footings of the building today. The steel decking has a projected arrive date of September 1. Because of the delay on the steel delivery, the completion date for the building is being revised to approximately April 1, 2002. Mr. Moquin distributed an updated timeline of schedules for the components of the building. Mr. Peckham is planning to attend the August meeting to update the budget projection figures. The change in the building schedule will necessitate seeking a two-month extension option on the present building lease (currently to April 30, 2002).

The Project Development Schedules from Mr. Irely and Mr. Peckham were reviewed. These schedules are revised every two weeks after meeting with the subcontractors.

Ms. Wade moved that MERS explore a two-month extension of the current lease. Supported by Mr. Gary Murphy. Motion carried.

STAFF OPERATIONS (9th) p. 3

Computer Bids

Ms. Wagner recommended that the Board accept Information Systems bids on two new computers: 1) HP production box from Logical at \$253,000 and 2) Network server at \$37,282. The current HP test box has two processors and runs at 150 mgz. The new production box has five processors and runs at 550 mgz. The production box that is currently being used has two processors and runs at 150 megahertz. The proposed new machine has five processors and runs at 550 megahertz. The recommendation for the Logical bid includes their past performance of excellent service and proximity to the MERS office.

Mr. Johnson moved to approve purchase of the HP 9000 server at \$253,000. Supported by Mr. Dennis Murphy. Motion carried.

Mr. Klosowski moved to approve purchase of the network server at \$37,282. Supported by Mr. John Murphy. Motion carried.

Mr. Dennis Murphy requested a clarification on the support fees for the new computers. Ms. Wagner will verify that the numbers are correct with the Information Services director and report the information to the Board at the August meeting.

AUGUST 8-9, 2001

BUILDING STATUS REPORT (8th) p. 1

Mr. Dennis Murphy moved approval of the building budget amendment to finish the lower level, include a 6% building construction contingency, and revise the April 20, 2001, total estimated development cost authorization to \$6,875,116 with further review and consideration at the September board meeting. Mr. Gary Murphy supported. Following discussion the motion carried.

INVESTMENT REPORT (8th) p. 2

Mr. Dennis Murphy moved to approve a request from the Board for the high yield policy inclusion in the Investment Guidelines. Supported by Mr. Seymore. Motion carried.

Mr. Dennis Murphy moved to approve the Investment Guidelines. Supported by Mr. Klosowski. Motion carried.

PROPOSED PLAN AMENDMENT—“FLEXIBLE B” (9th) p. 3

Mr. Seymore moved that the staff’s recommendation for a Plan Amendment to allow a new standard benefit multiplier program be referred back to them for further study including a requirement for minimum funding levels by division prior to MERS implementation of benefit increases. Supported by Mr. Gary Murphy. Motion carried.

PLAN AMENDMENT—RETIREE COMPENSATION (9th) p. 3

Mr. John Murphy moved to adopt staff’s recommendation to amend Article III, Sec 31 (1) of the MERS Plan Document with an effective date of January 1, 2002 to increase the retiree earnings limit to \$20,000 and change the “phase-out” age to 65 for those retirees re-employed by the participating municipality/court from which they retired. Supported by Ms. Wade. Roll call vote—Dennis Murphy—no; Raymond Klosowski—yes; Barbara Fandell—no; Kristen Wade—yes; John Murphy—yes; Gary Murphy—no; Bruce Seymore—no; Dale Walker—yes; Bruce Johnson—absent. Four affirmative votes; four negative votes. Motion failed.

Mr. John Murphy moved to approve to amend Article III, Sec. 31 (1) with an effective date of January 1, 2002 to increase the earnings limit for retirees re-employed by the participating municipality/court from which they retired to \$15,000, and change the “phaseout” age to 65. Supported by Ms. Wade. Roll call vote—Bruce Seymore—no; Gary Murphy—no; John Murphy—yes; Kristen Wade—yes; Barbara Fandell—yes; Raymond Klosowski—yes; Dennis Murphy—no; Dale Walker—yes; Bruce Johnson—absent. Five affirmative votes; three negative votes. Motion carried.

STAFF OPERATIONS

2003 Annual Meeting—Mr. Seymore moved that staff negotiate with the Hyatt Regency Dearborn for the 2003 Annual Meeting. If a satisfactory arrangement on food prices cannot be reached then the second choice would be the Amway Grand. Supported by Mr. Gary Murphy. Motion carried.

2002 Board Meeting Schedule—Mr. Gary Murphy moved to approve the Board meeting schedule for January through June 2002 as recommended by Ms Wagner. Supported by Mr. Seymore. The meetings are scheduled for the second Wednesday of each month excluding April. The meetings will begin at 10 a.m. at the Sheraton Hotel in Lansing moving to the new home office upon its' completion. Motion carried.

PUBLIC BOARD MEMBER NOMINATION (9th) p. 5

A Public Board Member needs to be appointed by the Board since the current appointment expires this year. Mr. Seymore moved to nominate Bruce Johnson to fill the Public Board Member position for a three-year term. Supported by Mr. Dennis Murphy. Motion carried. A unanimous ballot was cast.

SEPTEMBER 25, 2001

AFFIRM REVISED BUILDING BUDGET p. 1

Mr. Moquin presented a motion to affirm MERS Revised Building Budget; the Board, at the August meeting, approved a revised estimated development cost of \$6,875,116 and a revised building construction line item of \$4,976,509 including a 6% contingency of \$281,689. Mr. Seymore moved to affirm the Building Budget. Supported by Mr. Gary Murphy. Motion carried.

INVESTMENT REPORT (p. 2)

The Investment Committee recommends the termination of First Quadrant. Mr. Klosowski moved that the Board give the Investment Committee authorization to terminate First Quadrant whenever they feel it is necessary and begin a search for a new manager. Supported by Mr. John Murphy. Motion carried.

Investment Committee Update—The Investment Committee approved three finalists in the small cap manager search. They are EGM Capital, Granahan Investment Management, Inc., and Wasatch Advisors, Inc. Mr. John Murphy moved that these companies be invited to the November Board Meeting to make presentations to the Board. Supported by Mr. Gary Murphy. Mr. Seymore moved that the motion be amended to eliminate the Communication and Technology component from EGM's presentation. Supported by Mr. John Murphy. Amended motion carried. The motion that was on the floor as amended carried.

BOARD GOVERNANCE p. 2

Mr. Seymore shared information on the Carver Guide to "Basic Principles of Policy Governance" that he recently received. Mr. Seymore suggested that the Board defer action on the proposed recommendation from the Executive Director until staff has a chance to review this material. Mr. Gary Murphy moved that Board Governance issue be deferred until the November Board Meeting. Supported by Mr. Dennis Murphy. Motion carried.

PROPOSAL FOR DECISION—ORRIS v MERS and SMART p. 2

Mr. Seymore moved to adopt the findings of fact and conclusions of law in the proposed decision in the matter of Alec Orris v MERS and SMART in the Proposal for Decision dated July 3, 2001 by the Administrative Law Judge. Supported by Mr. Dennis Murphy. Motion carried.

STAFF OPERATIONS

Staff Update p. 3

Actuary RFP—Six request for proposals were sent out with three proposals received: The Segal Company, GRS and Milliman of Chicago. Staff is in the process of reviewing the proposals. Mr. Seymore moved the Executive Director's recommendation to have two finalists for the Actuarial contract appear before the Board in November. Supported by Ms. Fandell. Motion carried.

LEGAL UPDATE p. 4-5

City of East Lansing/MERS—Mr. Moquin discussed the Suspension of Settlement Agreement between the City of East Lansing and MERS. Mr. Moquin requests the Board designate the Executive Director as the signatory on behalf of MERS. Mr. Seymore moved that the Executive Director be authorized to sign the Suspension of Settlement Agreement with the City of East Lansing. Supported by Mr. Dennis Murphy. Motion carried with one abstention, Mr. Gary Murphy from the City of East Lansing.

NO SCHEDULED BOARD MEETING IN OCTOBER 2001

NOVEMBER 14, 2001 BOARD MEETING

SELECTION OF ACTUARY p. 3

(The two finalists—The Segal Company and Gabriel, Roeder & Smith—had earlier made detailed presentation to the Board) Following a lengthy discussion and comments from each Board Member and present staff members, Mr. Johnson moved to award the actuary contract to GRS according to the proposal. This contract will be effective January 1, 2002. Supported by Mr. Dennis Murphy. Chairperson Walker called for the question. Motion carried.

SMALL CAP EQUITY GROWTH MANAGER SELECTION p.3

Following discussion and comments from each Board member and staff, Mr. Seymore moved to engage Wasatch as Small Cap Equity Growth Manager and to authorize staff to negotiate fees. Supported by Mr. Klosowski. Motion carried.

ICMA—RC CONTRACT p. 4

Mr. Gary. Murphy noted that the 457 participants have a substantial benefit from the recently negotiated fee reduction. He suggested that a letter be sent to the City Managers' Association of Michigan stating this result on behalf of MERS. Ms. Fandell stated she feels the Clerks' Association should also receive this information.

Mr. Seymore moved that the proposed contract with ICMA-RC be accepted. Supported by Mr. Dennis Murphy. Motion carried.

2002 FISCAL YEAR BUDGET p. 4

The Finance Director reviewed the 2002 Fiscal Year Budget with the Board. Following the review of the budget and questions from the Board, Mr. Walker stated he would entertain a motion to approve the 2002 Budget with a copy of the budget resolution available at the January meeting. Mr. John Murphy moved to approve the 2002 budget. Supported by Mr. Seymore. Motion carried.

NO SCHEDULED BOARD MEETING IN DECEMBER 2001

END OF 2001 MOTIONS