

MUNICIPAL EMPLOYEES' RETIREMENT BOARD

2002 Motions

JANUARY 9, 2002

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 each January. Ms. Wagner requested nominations from the floor for the Board Chairperson for the year 2002. Mr. Seymore nominated Mr. Dale Walker. Supported by Mr. Klosowski. Mr. Gary Murphy moved that nominations be closed. Supported by Ms. Wade. A unanimous vote was cast for Mr. Walker

ELECTION OF BOARD CHAIRPERSON PRO TEM p. 1

Mr. Walker requested nominations for the Board Chairperson Pro Tem. Mr. Gary Murphy nominated Ms. Wade for Chairperson Pro Tem position. Supported by Mr. Klosowski. Ms. Fandell moved that nominations be closed. Supported by Mr. Gary Murphy. A unanimous vote was cast for Ms. Wade.

Joyce Watt v MERS—Proposal for Decision p. 3

Mr. Moquin reported the recommendation of the hearing officer in the case of Joyce Watt. Mr. Seymore moved to approve the Findings of Fact, Conclusion of Law and the Proposal for Decision in the matter of *Joyce Watt v. MERS* Proposal for Decision dated November 23, 2001, by Administrative Law Judge Elizabeth Schwartz, recommending the claim be granted. Supported by Ms. Wade. Motion carried.

Investment Report p. 4

The Investment Committee selected three finalists for the private equity RFI: CSFB (Credit Suisse First Boston), Pantheon Ventures, Inc. from San Francisco and Portfolio Advisors, LLC, from Connecticut. Ms. Fandell moved to invite the three private equity firms for presentations at the February 13 Board meeting. Supported by Mr. Johnson. Motion carried.

STAFF OPERATIONS p. 4

Board Meeting Schedule for the Year—Ms. Wagner proposed a Board meeting schedule for the second half of 2002. Board meetings are slated for the second Wednesday of each month with the exceptions of July, September, and October. Mr. Gary Murphy moved that the Board meeting schedule for the second half of 2002 be approved. Supported by Mr. Seymore. Motion carried.

CLOSED SESSION p. 6

Chairperson Walker reported that the Personnel Committee has requested a meeting to discuss compensation for the Executive Director. Ms. Wade moved that the Board go into Executive Session, supported by Mr. John Murphy. Roll call vote was as follows: Ms. Wade—yes; Ms. Fandell—yes; Mr. Johnson—yes; Mr. Klosowski—yes; Mr. Dennis Murphy—absent; Mr. Gary Murphy—yes; Mr. John Murphy—yes; Mr. Seymore—yes; Chairperson Walker—yes. Mr. Gary Murphy moved that the Board return to open session. Supported by Mr. Klosowski. Motion carried.

FEBRUARY 13, 2002

HEALTH CARE SURVEY p. 1

Mr. Paul Zorn, Mr. Sheldon Freilich, Ms. Supriya Kopf and Ms. Carrie Olger from GRS reported on the results of the Health Care Survey. The presentation concluded with a recommendation to conduct a feasibility study to explore the options. Mr. Seymore moved to authorize the Executive Director to negotiate a contract for a feasibility study of the health care survey results. Supported by Mr. John Murphy. Motion carried.

SALARY STUDY p. 1

Mr. William Rye, Rye and Associates, explained the comparisons used to arrive at the conclusions in the salary study prepared for MERS by his firm. Mr. Ronald Beaton, Director of Administrative Services, went on to explain the findings of the study.

Mr. Johnson moved to authorize staff to move forward with the salary study according to the recommendation that the implementation will be reflected in the 2003 budget. Supported by Mr. Dennis Murphy. Motion carried.

PRIVATE EQUITY FINALISTS' PRESENTATIONS p. 3

On consideration of presentation of the three private equity finalists: CSFB, Pantheon Ventures, Inc. and Portfolio Advisors, LLC, Ms. Wade moved to hire CSFB to manage the private equity account with an evaluation by MERS at the end of one year. Supported by Mr. Johnson. Motion carried.

PLAN AMENDMENTS 5 (2) AND 55 (10) p. 3

Mr. Seymore moved to adopt the Plan amendments. Supported by Ms. Wade. Motion carried.

CYNTHIA BELL v MERS and SMART p. 3

Mr. Klosowski moved that the petitioner's request for a new hearing be treated as a motion for rehearing and that the request be denied since the petitioner has not shown that the record is inadequate for the Board's review and has not set forth other reasons why a rehearing should be granted. Supported by Mr. Dennis Murphy. Motion carried.

Ms. Fandell moved to approve the Findings of Fact and Conclusions of Law and proposed decision in the matter of Cynthia Bell v MERS and SMART in the Proposal for Decision dated February 13, 2002, by Administrative Law Judge Schwartz denying the claim for benefits. Supported by Mr. Gary Murphy. Motion carried.

SERVICE RETIREMENT APPLICATIONS p. 5

Ms. Richmond reported one correction to the Service Retirement Applications. Ms. Sharon Hamilton from Muskegon County has decided not to retire at this time. Mr. Seymore moved to approve the service retirement applications as amended. Supported by Mr. Klosowski. Motion carried.

CLOSED SESSION p. 5

Mr. Gary Murphy moved to go into Executive Session to discuss the contract for the Executive Director. Supported by Mr. Klosowski. Roll call as follows: Ms. Wade—yes; Ms. Fandell—yes; Mr. Johnson—absent; Mr. Klosowski—yes; Mr. Dennis Murphy—yes; Mr. Gary Murphy—yes; Mr. John Murphy—yes; Mr. Seymore—yes; Mr. Walker—yes. Motion carried.

OPEN SESSION p. 5

Mr. Seymore moved to authorize the Chairperson to execute the contract for the services of the Executive Director retroactive to January 1, 2002. Supported by Ms. Fandell. Motion carried.

Ms. Fandell moved to approve the January Closed Session Minutes. Supported by Mr. John Murphy. Motion carried.

MARCH 13, 2002

ACTUARY RECOMMENDATION/AFC—Mr. Alan Sonnanstine and Cathy Nagy, GRS p. 2

Mr. Sonnanstine reviewed the history of the accelerated funding credit program, which was implemented in 1984. The purpose of the program was to reduce the funding levels of municipalities that were over 100% funded and to reduce the rate of increase in funding levels of municipalities that were not yet 100% funded. Following Board discussion, Mr. Seymore moved to adopt the proposal as follows:

- Phase out the AFC program over a three-year period beginning with the December 31, 2001 actuarial valuation.
- Eliminate the AFC “grandfathering” provision.
- Eliminate the phase-in of the actuarial assumptions for divisions that formerly had high withdrawal assumptions.
- Amortize assets in excess of accrued liabilities over 10 years.
- Amortize all positive unfunded accrued liabilities over a period of 30 years.
- Allow a municipality to adopt a shorter amortization period upon request but not shorter than a rolling 5 years for negative unfunded accrued liabilities.
- Allow a municipality to reallocate assets among divisions upon request.
- Phase-in the difference between the December 31, 2001, computed contribution rate and the December 31, 2000, computed after-AFC contribution rate over a 3-year period.

Supported by Ms. Wade. Motion carried.

BOARD MEETING MINUTES—FEBRUARY 13, 2002 p. 2

Mr. Gary Murphy moved to approve the February Board Meeting Minutes with the suggested amendment from Mr. Seymore to include the Board’s meeting on February 12, 2002 to discuss governance issues. Supported by Mr. John Murphy. Motion carried to approve the minutes as amended.

GENERAL CONSENT AGENDA p. 2

Following discussion on appropriate consent agenda items, Mr. Seymore moved that the Board receive information on only the exceptions to the Service Retirement Applications and Duty/Death applications in the future. Supported by Mr. Gary Murphy. Motion carried.

INVESTMENT REPORT p. 2-3

Mr. Burns reported that TNT will present the Risk Study Analysis at the May Board meeting. From a risk standpoint, the portfolio is within acceptable ranges. He stated that the Management Plan would be sent to the Board for review and possible action at the May meeting.

Ms. Fandell moved to approve the rebalance of the portfolio and allocate the dollars into the international equity index fund and dedicated cash portfolio. Supported by Mr. Johnson. Following discussion, Mr. Seymore moved to change the wording of the motion to allocate the dollars to the current active international equity manager in place of the index fund. Amended language supported by Mr. Johnson. Motion carried.

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

STAFF OPERATIONS p. 3

Following discussion on the information and timing of the RFPs, Mr. Gary Murphy moved to authorize Ms. Wagner to review the submitted RFPs for Custodial Services, Security Services and PeopleSoft 8 Consulting Services and select the vendor based on the proposed criteria and proceed. Supported by Mr. Klosowski. Motion carried.

LEGAL UPDATE p. 4-5

Mr. Moquin reported that he has provided a legislative update to the Board as part of the agenda. He did report that there is going to be a meeting with the House Committee next week on legislative bills on pension reform legislation, amendment to the Revenue Sharing Act, etc. Mr. Kim Rhead would like to be able to telegraph to the committee, on a formal basis, the Board's support. House Bill 5727 permits MERS being able to get revenue sharing monies directly from the Treasury when municipalities don't make their contributions. HB 5728 is a public policy matter that all retirement systems need to have supplemental valuations done and boards, as trustees, have a duty to see that it is done. If the Board is in favor of these two amendments, it would be useful for him to advise the committee of that. Mr. Seymore moved the Board's support of House Bills 5727, 5728, plus House Bills 5731, 5108-14, 5467 and Senate Bill 690, S-4. Supported by Mr. Klosowski. Motion carried.

NO APRIL 2002 BOARD MEETING

MAY 8, 2002

Actuary Report—GRS Report p. 3

Mr. Alan Sonnanstine and Ms. Kathy Nagy presented two items of interest to the Board, DROP (Deferred Retirement Option Plan) Plan Options and Excess Benefit Plans. Mr. Dennis Murphy moved to proceed with a private letter ruling to IRS to secure their acceptance of the Excess Benefit Plan. Supported by Mr. Gary Murphy. Motion carried. Mr. Sonnanstine will be working with Mr. Moquin on the ruling.

Investment Management Plan p. 3

Mr. Dennis Murphy moved to accept the Investment Management Plan as presented. Supported by Ms. Fandell. Motion carried.

Legal Update p. 3

Plan Amendment Section 26(3)(c) p. 3

Mr. Gary Murphy moved to approve the amendment as recommended by staff. Supported by Mr. John Murphy. Motion carried.

Plan Amendment Section 2A and Section 55 p. 3

Mr. Seymore moved to approve the amendment to Section 2A and Section 55. Supported by Mr. Gary Murphy. Motion carried.

Gary Ford v MERS & Oxford Emergency Safety Authority p. 3

Mr. Gary Murphy moved to approve the findings of fact and conclusions of law in the matter of Gary Ford v MERS, Respondent, and Oxford Emergency Safety Authority, Intervenor, in the Proposal for Decision dated February 27, 2002 by Administrative Law Judge Schwartz recommending benefits be denied. Supported by Mr. Klosowski. Motion carried.

Rosann D. Bristow v MERS (following remand from the Ingham County Circuit Court) p. 4

Mr. Seymore moved to approve the findings of fact and conclusions of law on remand to the Board, in the matter of Rosann Bristow, Petitioner v MERS, Respondent, in the Proposal for Decision dated March 18, 2002 by Administrative Law Judge Schwartz recommending that on such remand benefits be denied. Supported by Ms. Fandell. Motion carried.

Custodial Contract p. 4

The custodial contract for the new building was distributed. ServiceMaster was selected for providing the most comprehensive bid. Mr. Gary Murphy moved to approve the contract with ServiceMaster. Supported by Mr. Dennis Murphy. Motion carried.

JUNE 12, 2002

CONSENT AGENDA p. 1

The May Board Meeting Minutes and the Investment Report were removed from the consent agenda. Mr. Seymore moved to approve the consent agenda with the exceptions. Supported by Mr. Gary Murphy. Motion carried.

MAY BOARD MEETING MINUTES p. 1

On page two of the May meeting minutes, under Staff Operations, Retirement Seminars, the Cadillac session date should be June 6. Mr. Gary Murphy moved to approve the minutes as amended. Supported by Mr. Klosowski. Motion carried.

LEGAL UPDATE p. 2

Amendments to the Municipal Employees Retirement Act of 1984

Amendments to Section 36 of the Municipal Employees Retirement Act of 1984 – This covers three items (1) Section A. Amend MCL 38.1536 is a clean up of language that is almost six years old. This was brought about by (2) the question of Indian Tribal Governments being considered for MERS membership and (3) DROP programs.

Mr. Dennis Murphy moved to approve the changes in language in the first part of the document as suggested by Mr. Seymore (changing Executive Director title to CEO and no longer filing Board members' oaths of office with the Secretary of State). Supported by Mr. Gary Murphy. Motion carried.

Ms. Fandell moved to broaden MERS' clientele to include Indian nations, but less casino workers, and include State public universities not covered by public school retirement system. Supported by Mr. Seymore. Motion carried.

Mr. John Murphy moved language to exclude certain new MERS benefits from collective bargaining in the future. Supported by Ms. Wade. Motion carried.

DROPS—Mr. Alan Sonnanstine, GRS p. 3

Mr. Sonnanstine reviewed the DROP plan and PLUS Plan to the Board. Ms. Wade moved that MERS proceed to explore whether the members would be interested in the DROP and PLUS programs. Supported by Mr. John Murphy. Motion carried.

2004 ANNUAL MEETING p. 4

Due to inconclusive information regarding the possible room addition to the Lansing South Holiday Inn in time for the 2004 annual meeting, Ms. Wagner recommended to the Board that the 2004 annual meeting be held at the Amway Grand Plaza Hotel in Grand Rapids. Mr. Klosowski moved Ms. Wagner's recommendation. Supported by Mr. Dennis Murphy. Motion carried.

PHASE 3 OF SERVICE CREDIT PURCHASE p. 4

Mr. Seymore moved to approve the Executive Director's recommendation to implement Phase 3 of the Service Credit Purchase program with a cost up to \$40,000. Supported by Mr. Klosowski. Motion carried. A copy of the Phase 3 proposal will be e-mailed to all Board Members.

NO JULY 2002 BOARD MEETING

AUGUST 14, 2002

EXCESS BENEFIT PLAN—CATHY NAGY, GRS p. 1

Ms. Nagy, actuary from GRS, explained the requirements of fulfilling the Plan's obligation on certain retirement benefit limitations, namely IRC 415 limits. She answered questions regarding the implications for MERS ignoring these limitations. For the reasons stated in the August 6 recommendation of General Counsel and the actuary and the August 7 memorandum of expert tax counsel, Ms. Fandell moved to (1) approve the proposed amendments to Section 2A and 55 of the MERS Plan Document and (2) direct tax counsel to file the necessary determination letters of submission with the IRS not later than September 3, 2002. Supported by Mr. Klosowski. Motion carried.

Ms. Nagy reported that 245 annual valuations have been completed and mailed. Approximately 30-50 valuations are being mailed each day.

GENERAL CONSENT AGENDA p. 2

Mr. Walker stated that the consent agenda consists of the Purchase of Computer Laptops and Disability cases. Mr. Seymore moved to approve the consent agenda. Supported by Mr. Dennis Murphy. Motion carried.

June Board Meeting Minutes—On page 2, a paragraph title has been added to the Amendments to Section 36 of the Municipal Employees Retirement Act of 1984. On page 3, regarding the motion on the DROP program, the motion reads that we would explore the DROP plan only. This has been changed to include the PLUS program. Corrected copies were distributed to the Board members. Ms. Fandell moved to approve the June Board Meeting Minutes as amended. Supported by Mr. John Murphy. Motion carried.

PUBLIC MEMBER APPOINTMENT p. 2

Mr. Seymore moved to appoint Mr. Dennis Murphy to another three-year term as the public member of the Board noting his valuable service as a Board member during his past term. The new term will commence on January 1, 2003. Supported by Mr. Klosowski. Motion carried. Mr. Murphy thanked the Board for the re-appointment and noted his appreciation for the opportunity to serve on the Board.

RETIREE HEALTH CARE OPTION—Mr. Sheldon Freilich, Mr. Paul Zorn and Ms. Carrie Olger, GRS p. 4

Mr. Zorn and Mr. Freilich presented options for a MERS sponsored Retiree Health Care Plan to the Board. Ms. Fandell moved that MERS sponsor a Retiree Health Care Trust using GRS to design the product. Supported by Mr. John Murphy. Motion carried.

LEGAL UPDATE p. 4-5

Plan Amendment Request—Mr. Seymore moved that the plan amendment request to Section 3(c), to permit a municipality's City Manager to come back into MERS Defined Benefit System after previously electing to opt out of MERS Defined Benefit System, be rejected. Supported by Mr. Klosowski. Following discussion, Mr. Seymore noted that the Michigan Municipal League during legislative negotiations in 1986 assured MERS that the League would never support any change that would allow a City Manager to come back in the MERS system after once leaving it. This would be a violation of the trust the City Management organization, through their president, gave to MERS and also the League. Motion carried.

MERS Legislative Initiative—Ms. Wagner has had a series of meetings with interested parties regarding the proposed legislative language. Part of this proposed legislation is the inclusion of Indian Tribal Governments in MERS. Various tribal police groups are interested in joining MERS' defined benefit retirement program. The Hannahville Indian Community recently wrote to Mr. Moquin requesting that the exclusion of gaming and casino employees not be included in the proposed legislation language. They state that under Federal law gaming is regarded as a governmental function by the tribes that directly operate the casinos themselves. Under Federal law only the State and the tribe can agree as to location and other permissions. Mr. Dennis Murphy moved to strike the language in subsection B of the proposed revision to MCL 38.1502b(2) as it relates to excluding gaming and casino operations. Supported by Mr. Seymore. Motion carried.

PURCHASING AND DISPOSAL POLICY p. 5

Mr. John Murphy moved approval of the change in the Capital budget using the Wage and Service line item to cover expenses of the GRS software research as requested by Ms. Wagner. Supported by Mr. Klosowski. Motion carried.

SEPTEMBER 18, 2002

HOME OFFICE BUILDING p. 2.

Almost all of the building construction bills have been paid. There are a few items under warranty that need adjusting. There will be no expenditures for those. Ms. Wagner suggested that the computer lines and all of the hard wiring for the web in the boardroom and training rooms be placed in the contingency budget. Ms. Wade moved to move the computer lines and hard wiring into the building contingency budget. Supported by Mr. Seymore. Motion carried.

GENERAL CONSENT AGENDA p. 2

The general consent agenda consists of the August 2002 Board Meeting Minutes and the Quarterly Financial Statements as of June 30, 2002. Mr. Seymore moved to approve the General Consent Agenda. Supported by Mr. Gary Murphy. Motion carried.

CLOSED SESSION p. 2

Chairperson Walker suggested the Board go into closed session. Mr. Gary Murphy moved that the Board go into Executive Session to talk about a potential real estate acquisition. Supported by Mr. Johnson. Roll call vote was as follows: Ms. Wade—yes; Ms. Fandell—yes; Mr. Johnson—yes; Mr. Klosowski—yes; Mr. Dennis Murphy—yes; Mr. Gary Murphy—yes; Mr. John Murphy—yes; Mr. Seymore—yes; Chairperson Walker—yes. A unanimous vote was cast to go into closed session.

OPEN SESSION p. 3

Mr. Gary Murphy moved that the Board return to open session. Supported by Mr. Johnson. Motion carried. Following discussion, Mr. Seymore moved to authorize the CEO to enter into negotiations for three properties adjacent to the home office property with emphasis on the two parcels on either side of the home office. Supported by Mr. Gary Murphy. Motion carried.

REVISED POLICIES p. 3

Budget Rules—The Budget Committee met at the end of August and suggested that the following be added in Section A, changing the title of the Executive Director to Chief Executive Officer. Under Section B under Capital the following changes were suggested: (1) The capital budget will be approved by the Board at the project level. (2) Reports to the Board relating to capital expenditures shall be submitted not less than quarterly and more often if available. (3) If the project exceeds five percent of the budget, the Chief Executive Officer will request Board approval of the over-run and a corrective budget transfer. (4) Incomplete projects at the end of the fiscal year will be re-appropriated in the next fiscal year. (5) Capital items of less than \$5,000 will be expensed in the operating or investment budgets.

Ms. Wade moved to approve the budget amendments as recommended. Supported by Mr. Klosowski. Motion carried.

Purchase/Disposal Policy—Items in Section I, Contracting for Services and Purchasing will be deleted and replaced with language under the General heading, Bidding Exceptions and Emergency Purchases. The last sentence in the Emergency Purchases paragraph will be deleted. Disposal of Assets does not change at all.

Mr. Gary Murphy moved to approve the revised purchasing policy. Supported by Mr. Johnson. Motion carried.

Supplemental Request Policy—The CEO recommends that the supplemental request policy be changed to require that the requesting entity include a check for the base fees along with the supplemental valuation request. Additional items added to the request will be billed to MERS by GRS. MERS will remit those additional charges to the requestor. Mr. Johnson moved to adopt the recommendation to revise the Supplemental Request policy. Supported by Ms. Fandell. Motion carried.

GENERAL COUNSEL’S REPORT p. 3

Legislative Amendment Package—Mr. Moquin reviewed the changes in general clean-up language to the Municipal Employees Retirement Act of 1984. Mr. Moquin is seeking the Board approval for the legislative amendment. The Senate Majority leader agreed to sponsor MERS legislation and the governor’s office had already indicated, off the record, that as far as amending our definition of municipalities to specifically include tribal governments, they felt it is a good idea but it’s not on their list. They support the idea and won’t object to MERS making whatever effort we want to make. Ms. Wagner attended a St. Ignace meeting with the Indian Law Enforcement Services for the tribes in Michigan. The meeting was well attended and every tribe was represented at the meeting. Ms. Wagner reported on the outcome of the meeting. Mr. Moquin inquired whether the Board had anyone in mind that might sponsor this in the fall session. Bev Hammerstrom, Canton Township and Joanne Emmons, State Senator from Big Rapids, were suggested. Mr. Dennis Murphy moved to approve the clean-up language of the Municipal Employees Retirement Act of 1984 with notes dated September 11, 2002. Supported by Ms. Fandell. Motion carried.

NO OCTOBER 2002 BOARD MEETING

NOVEMBER 13, 2002

CONSENT AGENDA p. 1

Mr. Gary Murphy moved to approve the Consent Agenda. Supported by Ms. Fandell. Motion carried.

CEO REPORT p. 1-2

Day of Work—A resolution changing the designation of a day of work from 8 hours per day (equaling 10 days per month or 80 hours) to just 80 hours per month was brought to the Board for their consideration. Approval of this resolution will accommodate the proposed benefit for MERS internal permanent part-time employees as well as current full-time staff. Mr. Gary Murphy requested more research and a follow-up report from MERS staff regarding part-time to full time employees or vice versa, and how this pertains to years of credited service. Following discussion, Mr. Seymore moved to adopt the resolution as written. Supported by Mr. John Murphy. Motion carried.

Proposed 2003 Board Meeting Schedule—A Board schedule for eight meetings in 2003 was presented for approval. Ms. Wagner noted that additional meetings could be convened as directed by the Board. Mr. Gary Murphy moved to approve the 2003 Board Meeting Schedule as written. Supported by Mr. Johnson. Motion carried.

Update to MERS Personnel Manual—Minor revisions to language in the Personnel Manual were reviewed with the Board. The revisions replaced “Executive Director” with “CEO” throughout the document and updated language concerning Permanent Part-Time Employee Status as recommended. Mr. Seymore moved to approve the revisions to the Personnel Manual. Supported by Mr. John Murphy. Motion carried.

E-Benefit-Request—A proposed E-benefit increase for MERS retirees was brought to the Board with a recommendation by the CEO to approve the increase. Following discussion, Mr. Seymore moved to reject this proposal. Supported by Mr. Gary Murphy. Motion carried.

CLOSED SESSION p. 2

Mr. Gary Murphy moved that the Board go into closed session to discuss a potential real estate acquisition. Supported by Mr. Klosowski. Motion carried. Roll call vote was as follows: Ms. Wade—yes; Ms. Fandell—yes; Mr. Johnson—yes; Mr. Klosowski—yes; Mr. Dennis Murphy—absent; Mr. Gary Murphy—yes; Mr. John Murphy—yes; Mr. Seymore—yes; Chairperson Walker—yes.

OPEN SESSION p. 2

Ms. Wade moved that the Board return to open session. Supported by Mr. Gary Murphy. Motion carried. Mr. Seymore moved that the CEO be authorized to pursue the acquisition of 27 acres adjacent to the MERS Home Office not to exceed \$3.50 per square foot. Supported by Ms. Wade. Motion carried.

GENERAL COUNSEL’S REPORT p. 3-4

Plan Amendments—Mr. Moquin reported that November is one of the months for Plan Amendment Review. He requested that subsection (3) of Plan Section 7, be deleted. This Section relates to Credited Service: Election to Purchase Not More Than 5 Years of Credited Service. Subsection (3) was a protective limitation against favored, younger-aged employees with limited service to the municipality being able to retire with an immediate benefit. However, MERS’ actual experience over the past six years appears to show that the provision is rarely an issue. Given the infrequency of “low” years of service for

F(N) benefits it appears that this subsection is burdensome and unnecessary. Following discussion, Ms. Wade moved to approve the deletion of subsection (3) of Plan Section 7. Supported by Ms. Fandell. Motion carried.

Initial Valuation Fees—The Board received a recommendation from the CEO to approve a flat \$250 fee for an Initial Valuation beginning with requests submitted on/after January 1, 2003. The reason for this is that GRS does 50 Initial Valuations a year as part of the actuarial contract with MERS. Both new prospective MERS municipalities and existing municipalities bringing in a new division require an Initial Valuation. The \$250 flat fee will defray the overall MERS “subsidy” of the cost of initial valuations, and will be evenly applied. Ms. Wade moved to approve the \$250 fee for Initial Valuations beginning January 1, 2003. Supported by Mr. Gary Murphy. Motion carried.

DECEMBER 11, 2002

CONSENT AGENDA p. 1

November 2002 Board Meeting Minutes

Mr. Gary Murphy noted that last month the Board discussed the definition of a month of service as it relates to part-time employees. He requested staff research the problem of when people go from part-time to full-time and report back to the Board. Mr. Beaton provided a report to the Board and this has been added to the November minutes. Mr. Gary Murphy moved to approve the minutes as amended. Supported by Mr. Klosowski. Motion carried.

CLOSED SESSION p. 2

Mr. Gary Murphy moved that the Board go into closed session to discuss the CEO position. Supported by Mr. Klosowski. Motion carried.

Roll call vote was as follows: Ms. Wade—yes; Ms. Fandell—yes; Mr. Johnson—yes; Mr. Klosowski—yes; Mr. Dennis Murphy—yes; Mr. Gary Murphy—yes; Mr. John Murphy—absent; Mr. Seymore—yes; Mr. Walker—yes.

OPEN SESSION p. 2

Mr. Seymore moved that the Board approve a bonus for the Chief Executive Officer to be paid in December 2002 in recognition of her leadership and improvements that have been made to the system. Supported by Ms. Fandell. Motion carried.

GENERAL COUNSEL'S REPORT—Mr. Michael Moquin p. 3

The Benefits Department has reported that a pension reduction for an individual whose pension should have been reduced at age 65 never occurred. A higher benefit is paid until Social Security age and then at that age the benefit was to drop down to an equivalent lower benefit amount. This individual retired when all of MERS' records were kept on index cards. During the transition process, either this card was overlooked or didn't get entered into the system. The reduction was to take place in 1997, but did not happen. The employer needs to be made whole in terms of the overpayment. The retiree will be asked to agree to some amount of repayment from the monthly check. Following discussion, Mr. Gary Murphy moved that the shortfall on this person be charged as an Administrative Expense and be transferred to the appropriate employer's reserve for employer contributions and benefit payments. Supported by Mr. Seymore. Motion carried.

BUDGET RESOLUTION p. 3

Mr. Huelskamp distributed the budget resolution to the Board members for their review. Mr. Seymore moved adoption of the 2003 Budget Resolution. Supported by Mr. Dennis Murphy. Motion carried.

CEO'S REPORT p. 3-4

Land Acquisition

At the November Board Meeting the Board approved the purchase of approximately 27 acres of land adjoining the MERS Home Office Building. Following negotiations with the seller, MERS had until December 3 to accept the offer. A meeting was held with the brokers to discuss due diligence on how to proceed. CEO Wagner is requesting approval of the purchase price plus a commission. Mr. Seymore moved to approve the purchase price of \$3.32 per square foot plus commission. Supported by Mr. Klosowski. Motion carried.

Correction of November 2002 Board Minutes

Attached to the correction to the November minutes was a memo from Mr. Beaton on the change in employee status from regular part-time to full time. This was in response to Mr. Gary Murphy's request that a report be brought to the Board that would define compensation for permanent part-time employees. A change to the Plan Document will be necessary. This will be brought back to the Board once the Plan Document change has been written. Mr. Gary Murphy moved to approve the Accumulated MERS Service Credit changing employee status from regular part-time to full part-time as described by staff. Supported by Ms. Wade. Motion carried.

INVESTMENT REPORT—Mr. Jeb Burns p. 4-5

The Investment Committee agreed to allow transfer of \$20 million to the Wasatch Small Cap Growth Fund from Kennedy Capital. Mr. Burns requested a motion from the Board to complete this transaction. Ms. Wade moved to transfer \$20 million to Wasatch Small Cap Growth Fund from Kennedy Capital. Supported by Mr. Dennis Murphy. Motion carried.

ACTUARY'S REPORT p. 5

EDRO Actuarial Assumptions—Mr. Alan Sonnanstine, GRS

Mr. Sonnanstine requested in March to begin calculating EDRO actuarial assumptions using the same interest rate (8%) that is used for calculating valuations. Mr. Sonnanstine proposed a resolution to the Board to change this percentage rate. Ms. Wade moved to approve the EDRO resolution. Supported by Mr. Dennis Murphy. Motion carried.

EDRO Recoupment Proposal—Mr. Alan Sonnanstine, GRS

Mr. Sonnanstine presented a resolution that for the purposes of EDRO computations pursuant to Act 46 of the Public Acts of 1991, for an EDRO in which the participant's benefits commence after attainment of age 65 and on or after March 1, 2003, the EDRO recoupment will be computed as if retirement had occurred at age 65. Mr. Dennis Murphy moved to approve the recoupment resolution. Supported by Ms. Wade. Motion carried.

END OF 2002 MOTIONS