

MUNICIPAL EMPLOYEES' RETIREMENT BOARD

2005 Motions

NO JANUARY 2005 BOARD MEETING

NO FEBRUARY 2005 BOARD MEETING

March 8 and 9, 2005

ELECTION OF BOARD OFFICERS (8th) p. 1

CEO Wagner conducted the election for the Board's Chairperson. Moved by Mr. Gary Murphy, supported by Mr. Opelt to cast a unanimous ballot for Mr. Walker to serve as Chairperson of the MERS Board. Motion carried.

Mr. Walker resumed his position as Chairperson. Moved by Mr. Dennis Murphy, supported by Ms. Dreves to cast a unanimous ballot for Mr. Opelt to serve as Chairman Pro-Tem of the MERS Board. Motion carried.

RESOLUTION HONORING GARY P. MURPHY (8th) p. 1

Mr. Walker presented a resolution commending retiring Board Member Gary Murphy for his six years of service on the MERS Board. Moved by Mr. Dennis Murphy, supported by Mr. Opelt to approve the resolution. Motion carried. Mr. Murphy will retire from the City of East Lansing and from the MERS Board effective April 1, 2005.

LARGE CAP MANAGER SEARCH (8th) p. 2

Final presentations were made by the following companies for a \$200 million allocation in active large cap value equity management currently invested in BGI's Russell 1000 Alpha Tilts product: C.S. McKee represented by Greg Melvin, Chief Investment Officer and Eugene Natali, President and Delaware Investment Management represented by Tysen Nutt, CIO and Edward Sheridan, VP of Institutional Sales.

Moved by Mr. Opelt, supported by Mr. Gary Murphy to hire C.S. McKee. Lacking a quorum of the Board, the motion failed.

Moved by Mr. Gary Murphy, supported by Mr. Opelt to hire Delaware Investment Management. Lacking a quorum of the Board, the motion failed.

Upon further consideration, Mr. Ogden moved, supported by Mr. Gary Murphy to reconsider the previous motion. Motion carried. Mr. Ogden moved that Delaware Investments be selected as Large Cap Manager, supported by Mr. Gary Murphy. Motion carried.

Moved by Mr. Opelt, supported by Mr. Gary Murphy to approve the Investment Committee's recommendation to transfer the remaining assets of approximately \$300 million in BGI's Russell 1000 Alpha Tilts product to LSV's Russell 1000 Value Enhance Index. Motion carried.

EXPERIENCE STUDY REPORT FOR PERIOD JANUARY 1, 1999—DECEMBER 31, 2003 (8th) p. 1

Alan Sonnanstine, senior actuary from Gabriel, Roeder, Smith & Company, presented the MERS 1999—2003 Experience Study. He summarized the findings of the study dated March 2, 2005, and made 17 recommendations concerning economic assumptions (Items 1-2), non-economic assumptions (items 3-12) and actuarial methods (Items 13-17). Following his presentation, pursuant to the Board's authority as trustee and fiduciary under Section 36 of 1984 PA 427, as amended; MCL 38.1536, and Section 36 of the MERS Plan Document, Mr. Ogden moved and Mr. Opelt seconded, to adopt the following provisions of the report:

- Retain the economic assumptions for Investment Return and Pay Inflation (Items 1-2) and direct the actuary and MERS staff to further study these assumptions, and report their findings to the Board at the first regularly scheduled Board meeting in 2006;
- Adopt effective for the December 31, 2004 valuations, the non-economic assumption recommendations for Early Retirement rates, Disability rates, Mortality rates, Pay Increase rates, Service Accruals, and Election rates (Items 4, 6-8, 10-11);
- Adopt the recommendation for Assumptions for Optional Forms of Payment (Item 12), and direct that the effective date for this change will follow the completion of the staff and actuary's further study of the economic assumptions referred to in the first bullet paragraph above,
- Adopt effective with the December 31, 2004 valuations, the actuarial method recommendations (Items 13-17); and
- Direct the actuary to further study the non-economic assumption recommendations (Items 3, 5, and 9) and report their findings to the Board at the first regularly scheduled Board meeting in 2006.

Motion carried.

**Municipal Employees' Retirement System of Michigan
1999-2003 Experience Study
Summary of Recommendations and Financial Impact**

Assumption/ Method	Page ⁸	Recommendation	Financial Impact
1. Investment return	C-4	No change	N/A
2. Pay inflation	C-4	No change	N/A
3. Normal retirement rates	D-4	Increase rates ¹	Increase ¹
4. Early retirement rates	D-5	Decrease rates	Increase
5. Withdrawal rates	D-6	Decrease rates	Increase
6. Disability rates	D-7	Increase rates	Slight increase
7. Pre and post-retirement mortality rates	D-9	Unisex rates	Minor effects ²
8. Pay increases due to merit/longevity	D-10	Increase at younger ages	Increase
9. Increases in FAC at retirement	D-11	Increase by 2%	Increase
10. Service accruals for active employees	D-13	No change	N/A
11. Election rates of optional forms of payment	D-15	New rates	No effect ³
12. Assumptions for optional forms of payment	D-17	New unisex blend	No effect ⁴
13. Asset valuation method	E-2	No change	N/A
14. Open division funding policy	E-5	No change	N/A
15. Closed division funding policy	E-8	Some changes	No effect ⁵
16. Closed municipality (group) funding policy	E-11	Some changes	No effect ⁶
17. Money in the pipes	E-12	Reflect in valuation	Minor effects ⁷

1 Decrease at lower replacement indexes, but increase at higher replacement indexes. Results will vary by division.

2 Minor effects by division (up and down).

3 Only affects the projection study.

4 Affects benefit amounts, but not actuarial valuation results.

5 Only affects GASB reporting for some divisions, but not required employer contributions.

6 No immediate effects, but may have important effects in the future.

- 7 May have important effects in the future, if employer contribution requirements change rapidly (up or down).
- 8 Page number (in the Experience Study Report) which contains the full recommendation.

Legal Conformance Actions (8th) p. 3-4

MERS Alliance Agreement p. 3

Moved by Mr. Gary Murphy, supported by Mr. Opelt to approve the revision to Section C.2 (pp. 2-3) of the MERS Alliance Agreement, *Office Space, Equipment, Furniture, Supplies and Services*, deleting the reference to “fair market value” meaning that MERS charges Premier Health “the costs of providing such supplies and services.” Motion carried. The revised language will be effective as of the original approval date of December 8, 2004.

HCSP Document, Section 5.03 p. 4

Moved by Mr. Opelt, supported by Mr. Gary Murphy to amend HCSP Document, Section 5.03 to read that a “written report of the status of each Participant’s DC Program Account shall be furnished to the Participant by the Program Administrator within a reasonable time after the quarter ends, in accordance with standard industry practices.” The section previously read “45 days after the end of each quarter.” Motion carried.

HCSP—Section 401(h) p. 4

Moved by Mr. Opelt, supported by Mr. Ogden to correct the word “employer” to “employee” in Section 64(3), Employee Contributions: DB Component or DC Component in subheadings (a) and (c). The revisions relate back to the date of the original approval (November 10, 2004). Motion carried.

Uniform Resolution Adopting the MERS Health Care Savings Program: Defined Benefit Program Plan 3 p. 4

Moved by Mr. Gary Murphy, supported by Mr. Opelt to approve minor revisions made on page 3 (E) and (F) of the Uniform Resolution. Revisions approved at this time relate back to the date of the original approval (November 10, 2004). Motion carried.

COMMENT PERIOD FOR PLAN DOCUMENT CHANGES (8th) p. 4

Moved by Mr. Gary Murphy, supported by Mr. Ogden to approve CEO Wagner’s recommendation to add a general provision to the Plan Document “Procedure for Review of Formal Requests for Changes to MERS Plan Document” requiring a comment period of no less than ninety (90) days following the notification to the member employers of any change made to the Plan Document by the Board with a potential impact on members of the system. Motion carried.

CONSENT AGENDA p. 4

Moved by Mr. Opelt, supported by Mr. Dennis Murphy to approve the Consent Agenda with the Investment Report and Executive Report removed for discussion. Motion carried.

SMALL CAP EQUITY MANAGER p. 4

Moved by Gary Murphy, supported by Dennis Murphy to authorize the Investment Department to undertake a small cap manager search and return to the Board with their recommendation. Motion carried.

EXECUTIVE REPORT p. 4-5

CEO Wagner reported that since the beginning of the year the MERS office has been working on the following items:

Pension Administration Software Project—This project has been re-named MAPS (MERS Automated Pension System). Kathy House and Debra Peake serve as functional leads on the project and Tama Allen as the technical lead. Pension Services staff are meeting with the GRS team twice weekly for the discovery on current processes.

Phone System—A new telephone system was installed February 19-20 with the office usage beginning on Monday, February 21. The new system has many valuable features including recordings and data compilation that were not available on the old system. This system will assist MERS in determining where improvements are needed in servicing our members.

2005 Goals—MERS ongoing goals, Growth, Service, Technology and Culture, were identified during the discussion portion of the Board and Officer's discussion at the Garland Retreat in June 2004. The Strategic Planning Group, comprised of the Officers and Department Leads, have worked to establish specific targets within these goals for the 2005 fiscal year. New items will come before the Board with recommendations as the year advances.

Department Changes—In late January a new Marketing Department was formed under the leadership of Kathy House. The New Sales and Employer Services groups form this department with a total of 10 staff members. The Administrative Services Department with the Library and Communications has a total of 10.5 staff members. They will focus on more effective processes to enhance MERS service.

Moved by Mr. Opelt, supported by Mr. Gary Murphy to approve the Executive Report. Motion carried.

FINANCE REPORT (8th) p. 5

Mr. Huelskamp presented 2005 Budget Resolution Amendments as follows:

Telephone System A request for funding of a Call Center Phone System with a portion of the bid expensed in the year 2004 Budget under Telephone Expense with the remaining balance falling under the 2005 Budget. Moved by Mr. Gary Murphy, supported by Mr. Opelt to approve the amendment and purchase the Call Center Phone System. Motion carried.

Additional Staff A request for a new Administrative Assistant position and a Chief Marketing Officer position to be paid under Payroll Expense out of the 2005 Budget. Moved by Mr. Opelt, supported by Mr. Gary Murphy to hire these two positions. Motion carried.

2004 Budgeted Capital A request to amend the 2005 capitol budget to carry over \$300,000 from the 2004 capitol budget be used for an Indexing and File Retrieval System. Moved by Mr. Opelt, supported by Mr. Ogden to amend the budget accordingly. Motion carried.

PROPOSAL FOR DECISION—David Love v MERS (8th) p. 5

Following discussion, Mr. Gary Murphy moved that the Board adopt the Finding of Fact and Conclusions of Law, and recommendation that duty disability retirement be granted to David Love, Petitioner, as contained in the PFD of the Hearing Officer dated January 12, 2005. Supported by Mr. Dennis Murphy. Motion carried.

CONFERENCE ROOM NAMES (8th) p. 5

MERS solicited input from staff for names for the five conference rooms in the MERS Building. The staff proposes that the conference rooms be named after the Great Lakes. Moved by Mr. Opelt, supported by Mr. Gary Murphy to adopt staff's proposal. Motion carried.

APPEAL OF MR. STEVE HARRY (8th) p. 6

Mr. Dennis Murphy moved to deny Mr. Steve Harry's appeal on his FOIA request for information from the personnel files of individuals no longer working at MERS, for the reasons stated in the Designated FOIA Coordinator's January 31, 2005 letter. Supported by Mr. Gary Murphy. Motion carried.

BOARD MEMBER APPOINTMENTS (8th) p. 6

Mr. Gary Murphy moved to appoint Ms. Sue Stahl, City of Bad Axe to the Employee Board Member position. Supported by Mr. Opelt. Motion carried.

Mr. Dennis Murphy moved to appoint Mr. Harold Hailey, Ingham County, to the Employer Board Member. Supported by Mr. Ogden. Motion carried.

The terms for both positions expire on December 31, 2005 and will be scheduled for election at the 2005 Annual Meeting in September.

NO APRIL 2005 BOARD MEETING

May 10-11, 2005

GENERAL CONSENT AGENDA (10th) p. 1

Moved by Mr. Opelt, supported by Mr. Murphy to approve the Consent Agenda with the Executive Report removed. Motion carried.

Executive Report (10th) p. 1-2

CEO Wagner reported the 2005 Annual Meeting will be held at the Hyatt Regency Dearborn Hotel on September 20-22. She noted the registration fee has remained the same since 2001. The proposed new fee would increase slightly to \$175 for early registration and \$200 for late registration. Moved by Mr. Klosowski, supported by Mr. Opelt to increase the registration fees for the 2005 Annual Meeting. Motion carried.

CEO Wagner reminded the Board that 2006 will be MERS 60th Annual Meeting as well as the 10-year anniversary of MERS independence. Preparations are already underway to make this a special event.

CEO Wagner presented information on MERS' vision, mission and goals to the Board. This has been a joint effort of both the Board and MERS staff. It is the culmination of a collaborative effort over the past five years to clearly define MERS strategy for the future. MERS goal continues to be the best retirement system in the world.

Moved by Mr. Opelt, supported by Mr. Klosowski to approve the Executive Report. Motion carried.

HYBRID BENEFIT PLAN DESIGN (11th) p. 2-3

Mr. Alan Sonnanstine reported that the Hybrid Plan Working Group, consisting of MERS staff and the actuary, has worked to put together a simple hybrid plan containing a single choice of modest defined benefit plus a flexible defined contribution plan. The defined benefit plan is tailored similar to the current benefit plan that is in place at MERS but with limitations on the benefits. Mr. Sonnanstine distributed a memorandum with the proposed provisions of both the DB and DC plans listed and reviewed each of the provisions with the board members. Moved by Mr. Hailey, supported by Mr. Klosowski to approve the finalizing of the DB/DC Hybrid Plan. Motion carried.

TRIBAL GOVERNMENT (11th) p. 3

Mr. Michael Moquin, MERS Chief Legal Counsel, reported on the proposed Tribal Government Retirement Plan. This defined benefit plan would be a separate system under the MERS Board's administration. This parallel plan for tribal government employees could operate as a private sector type of plan or a governmental plan following adoption by the U.S. Congress of legislation granting governmental status to Tribal employees. Such legislation is now pending in both the Senate and U.S. House of Representatives. There are approximately 15,000 tribal employees in Michigan.

Mr. Moquin noted that each tribe would join MERS as a separate entity, just as the municipalities do. The provisions of the Tribal plan mirror MERS Plan Document in most respects. Following Mr. Moquin's presentation, it was moved by Mr. Opelt, supported by Mr. Klosowski to adopt and conditionally approve the Tribal Government Retirement System Plan Document with the document being brought back to the Board for final recommended changes. Motion carried.

NO JUNE 2005 BOARD MEETING

NO JULY 2005 BOARD MEETING

NO AUGUST 2005 BOARD MEETING

September 20 and 22, 2005

GENERAL CONSENT AGENDA 20th (p. 1)

Moved by Mr. Opelt, supported by Mr. Klosowski to approve the General Consent agenda with the following items pulled: Executive Report, eBill Fee Charges and Car Allowance Program. Motion carried.

INVESTMENT REPORT (20th) p. 1-2

The Northern Trust Company 2nd Quarter Performance Report—Steven Pines and Amy Bacich, Performance Analyst on the MERS Relationship

Mr. Steve Pines, VP of Northern Investment Risk and Analytical Services, presented the 2nd quarter performance for MERS defined benefit portfolio. He reported that the fund continues to perform within the top quartile of the Northern Trust Public Fund Universe and found no material performance deficiencies. He introduced Amy Bachich, 2nd Vice President & Performance Consultant, who is the performance analyst on MERS account. Moved by Mr. Opelt, supported by Mr. Murphy to approve the 2nd Quarter Performance Report. Motion carried.

Asset Allocation Study (20th) p. 2

Mr. Burns presented the 2005 Asset Allocation Study to the Board. Mr. Opelt moved to increase the timber allocation to 2%, as recommended by the Investment Department and the Board Investment Committee, supported by Mr. Ogden. Motion carried.

MERS INVESTMENT GUIDELINES AND MANAGEMENT PLAN (20th) p. 2

The Board unanimously approved the recommendations of the Investment Committee. Moved by Ms. Stahl, supported by Mr. Opelt to approve the Investment Guidelines as amended. Motion carried. Moved by Mr. Hailey, supported by Mr. Opelt to approve the Management Plan with the addition that hiring or terminating a manager may occur at the Investment Committee level. Motion carried.

INVESTMENT MANAGEMENT COMPANY PROPOSAL (20th) p. 2

The Board discussed CSFB's recommendation to continue the exploration of establishing MERS Investment Management Company (MERSIMC). In order to proceed with the development of a formal business plan, which will be submitted upon completion to the Board for approval, CSFB formally requested authorization to expend up to \$100,000 for the development process for MERSIMC. Moved by Mr. Ogden, supported by Mr. Opelt, to approve the expenditure up to \$100,000 for MERSIMC development. CSFB will report their full findings and review the proposed business plan at a subsequent Board meeting. Motion carried.

PROPOSED DB/DC HYBRID PLAN (20th) p. 2

MERS Working Group comprised of senior MERS staff and Mr. Alan Sonnanstine, senior actuary with GRS, presented the proposed DB/DC Hybrid Plan to the Board. Mr. Sonnanstine reviewed both the DB and DC portions of the proposed Hybrid Plan in detail with the Board. CEO Wagner noted that various changes for the Plan Document to incorporate this new plan will require review and approval by the Board at the November (or later) meeting. Moved by Mr. Opelt, supported by Mr. Hailey to give conceptual approval to the DB/DC Hybrid Plan. Motion carried. The announcement for the Hybrid Plan

will be included in the Employer Bulletin scheduled for early October. The announcement will include the information regarding a comment period.

REQUEST FOR ALLOCATION OF FUNDS: MERS II (20th) p. 3

CEO Wagner requested Board approval to reconfigure the Insurance Department with an approximate cost of \$50,000 from the remainder of \$212,967.26 from the \$800,000 budget for the MERS II Building Project. The final figure of the project of \$587,032.74 includes moving both the Investment and Marketing Departments, furnishing both offices, and completing the build-out at MERS II office. Moved by Mr. Opelt, seconded by Mr. Ogden to allocate the funds to reconfigure the Insurance Department. Motion carried.

eBILL FEE CHARGES (20th) p. 3

The Finance Department recommends changing to a flat fee of \$25 for processing monthly contribution checks for those municipalities that are not using eBill to make their payments. Moved by Mr. Murphy, supported by Ms. Stahl to implement this change. Motion carried.

CAR ALLOWANCE PROGRAM (20th) p. 3

With eight marketing representatives and four vehicles, MERS is looking at the potential purchase of three to four additional vehicles in 2006. As an alternative, CEO Wagner requests the Board's approval to accept a proposal, effective October 1, 2005, from Runsheimer Company, who will set up a car allowance program for those staff who wish to sign up. This proposal has an annual project cost of \$50,900 resulting in an estimated savings of \$2,500 per year. Moved by Mr. Hailey, supported by Ms. Dreves to approve the proposal from Runsheimer Company. Motion carried.

EXECUTIVE REPORT (20th) p. 3-4

CEO Wagner updated the Board on the 2005 Strategic Goals:

Informational Services – Sungard Company was hired to try to penetrate our computer system and the outcome was that they were unable to do so. This means that MERS security patches and firewalls are not a security risk.

Tribal Groups - Work continues with the Tribal Groups to set up a defined benefit plan for Tribal employees.

DROP+ - Approval was received from the IRS in mid-June for the DROP+ plan as part of MERS determination letter.

Hybrid Plan – Internal staff and actuary discussions regarding design features have been completed, with the final draft submitted to the Board this month for approval.

Insurance Program – Insurance participation continues to grow. Negotiations with Standard Insurance Company in July on the Group Buying contract, established two years ago, resulted in no rate increases for the new contract starting January 1, 2006.

Administrative Services – Administrative Services conducted two surveys system-wide: one satisfaction survey for Pension Services and one general interest survey regarding the proposed Hybrid Plan.

Finance – Finance has started the process of an actuarial audit RFI for November.

Regional Meetings – These are coming to an end for 2005. Marketing staff will hold an evaluation meeting to determine the scope and location of meetings in 2006.

Retirement Seminars – These are scheduled in the MERS Office through December. A 2006 schedule will be posted on the website after the first of November.

MAPS – The MAPS project is proceeding on schedule. The Initial Valuation software is up and running and the Benefits Calculator portion of the project is operational and through the testing phase.

Telephone System – “Bug” fixes in the new phone system have taken place as Pension Services explores the reporting capabilities of the new system.

eBill System – Finance has worked to get all municipalities on the eBill system. There are approximately 20 municipalities unwilling or unable to use the program.

Succession Plan – The HR Manager is working to develop an overall training program for internal staff that will include leadership training and a succession plan. The program consists of three levels: Foundational Knowledge, Advanced Knowledge and Leadership Development.

Investments – The Investments Department has worked with The Northern Trust Company to unitize the DB portfolio. This will allow daily valuations of the portfolio for the participants in the Health Care Savings Program. The asset allocation study was completed for the defined benefit investment portfolio.

Revision of Member Statement - Pension Services revised the 2005 member statement. It includes more information for the members.

Moved by Mr. Opelt, supported by Mr. Klosowski to approve the Executive Report. Motion carried.

PROPOSAL FOR DECISION—Michael Thompson v MERS (20th) p. 4

Moved by Mr. Murphy, supported by Mr. Hailey, to accept the Findings of Fact, Conclusion of Law and the proposed decision in the matter of *Michael Thompson v MERS*, respondent in the Proposal for Decision dated April 7, 2005 by Administrative Law Judge Elizabeth Schwartz recommending benefits be denied. Motion carried. Mr. Moquin further requested that Mr. Thompson’s request for oral argument be denied as moot. Motion carried.

PROPOSAL FOR DECISION—London Jackson v MERS (20th) p. 4

The Hearing Officer denied the claim for benefits on the basis that no permanent disability had been demonstrated. The Hearing Officer concluded that duty and non-duty disability benefits should be denied because there is no permanent disability. Moved by Mr. Opelt, supported by Mr. Klosowski to approve the Findings of Fact, Conclusions of law and proposed decision in the matter of *London Jackson v MERS and SMART* in the Proposal for Decision dated May 3, 2005 by Administrative Law Judge Elizabeth Schwartz recommending benefits be denied. It is further ordered that this decision is without prejudice to the filing of a future disability application in the event a permanent disability arises from the incidents set forth in the Proposal for Decision so long as such application be filed within six years of the date of this order. Motion carried.

MOTION TO AMEND DROP+ PROVISION OF THE PLAN DOCUMENT (20th) p. 4

Mr. Moquin noted that the motion to amend the DROP+ provision of the Plan Document would add one sentence to Section 55, subsection 7. This was a commitment to the IRS as a condition of their giving the favorable tax determination letter this past June. Moved by Mr. Ogden, supported by Mr. Opelt. Motion carried.

RETIREMENT RESOLUTION (20th) p. 4

Moved by Mr. Opelt to accept the resolution honoring Janet Richmond, retiring Board secretary. Supported by Mr. Klosowski. Motion carried.

FISCAL RESPONSIBILITY (22nd) p. 5

MERS Working Group, comprised of various MERS senior staff and senior actuary Alan Sonnanstine, from GRS, recommends that plans that are less than 50% funded on an actuarial basis are prohibited from adopting an increased benefit or if, by a benefit adoption, the funding level drops below 50%, effective October 1, 2005. This does not apply to retroactive agreements. Final adoption of the formal policy by the Board will be preceded by a 90-day comment period for the membership regarding prospective changes to the Plan. A notice will be sent to the municipalities stating the proposed minimum funding requirements for benefit increases next week.

It is moved that, effective October 1, 2005, there is a moratorium on processing new valuation requests by a municipality where that municipality is less than 50% funded pending further Board action. Moved by Mr. Hailey, supported by Mr. Murphy. Motion carried.

CERTIFICATION OF BOARD ELECTION (22nd) p. 5

Mr. Ogden, who chaired the election for Board members, reported that the count was 121 votes for Mr. Hailey and 85 for Ms. Fandell. Moved by Mr. Opelt, supported by Mr. Klosowski to accept the election count. Moved by Ms. Stahl, supported by Mr. Klosowski to certify the election as follows:

Mr. Hailey will serve a 3-year term as Employer Board Member beginning January 1, 2006.

Mr. Klosowski will be returning to the Board for a 3-year term as Employee Member of the Board. Mr. Klosowski ran unopposed.

Mrs. Stahl will serve the remaining 1-year term, ending December 31, 2006, for the position vacated by Mrs. Fandell, as an Employee Member of the Board. Ms. Stahl ran unopposed.

Moved by Mr. Opelt, supported by Mr. Klosowski to re-appoint Mr. Bruce Johnson to the Public Board Member position for a term ending December 31, 2007. Motion carried.

MANAGEMENT MEMO RE: HURRICANE KATRINA (22nd) p. 5

CEO Wagner requested Board approval for a management memo offering staff paid administrative leave up to 10 days to assist with relief efforts in the aftermath of Hurricane Katrina. Certification from the American Red Cross will be required. Moved by Mr. Ogden, supported by Mr. Murphy to approve absentee policy for Hurricane Katrina. Motion carried.

NO OCTOBER 2005 BOARD MEETING

November 8-9, 2005

HEALTH CARE SAVINGS PLAN/TGRS OPERATIONAL/COMPLIANCE ISSUES (8th) p. 1-2

Mr. Moquin requested Board approval for the Legal Department to make necessary revisions to the MERS Health Care Savings Program documents and to the Tribal Government Retirement System Plan Document on an ongoing basis.

Moved by Mr. Ogden, supported by Mr. Murphy it is, therefore, resolved that MERS' Legal Department - be authorized and directed to make such changes in documents as deemed necessary to comply with the requirements of the Internal Revenue Service Code and other laws and to report back to the Board at the next meeting all the changes that have been made to the HCSP documents, with Board approval on a retroactive basis to December 31, 2005. In addition, to make such changes in TGRS Plan and Exhibits on an ongoing basis as deemed necessary, reporting to the Board periodically on the changes that have been made/agreed to, and ultimately, Board approval of necessary Plan language provisions to comply with IRS or related requirements.

The most recent Board action on HCSP documents was in August 2004; and for the TGRS, Board approval of the proposed Plan Document package for the Defined Benefit and Defined Contribution plans occurred in May 2005, and is now undergoing active IRS review. Motion carried.

DROP+ PLAN AMENDMENT FOR WINDOWS (8th) p. 2

Following presentation by Mr. Moquin, it was moved by Ms. Stahl, supported by Mr. Ogden to delete part of the last sentence in Plan Section 10 (6)(c) which states, "...and further provided that the limitations imposed in this paragraph shall not apply if the member retires during a temporary period as provided in section 11." The DROP+ program will not be available during a retirement window. Motion carried.

REQUEST TO REMOVE ITEMS FROM CONSENT AGENDA (8th) p. 2

Moved by Mr. Murphy, supported by Mr. Klosowski to approve the consent agenda with the Investment Report and Proposed 2006 Board Meeting Schedule removed. Motion carried.

The following items were approved on the Consent Agenda:

- Administrative Services Report
- Executive Report
- Information Systems Report
- Legal Report with Disability, Duty Death Report
- Marketing Report
- Pension Services Report
- September 2005 Board Meeting Minutes

INVESTMENT REPORT – AUGUST AND SEPTEMBER (8th) p. 2

Mr. Burns, MERS Chief Investment Officer, reported that the portfolio has returned 3.97% for the year as of November 7. Currently, no major changes are recommended to the manager list. An overview of the funds quarterly performance was provided. The fund returned 3.68% for the quarter as of September 30, 2005, and placed 70th in the Northern Trust Public Fund Universe rankings. This low ranking was

primarily due to lower equity holdings as a result of the current asset allocation. Moved by Mr. Klosowski, supported by Ms. Dreves to approve the Investment Report. Motion carried.

PROPOSED 2006 BOARD MEETING SCHEDULE (8th) p. 2

Moved by Mr. Murphy, supported by Mr. Klosowski to approve the 2006 Board Meeting Schedule scheduled for the second Tuesday evening and Wednesday of the month with the exception of changes to March 14-15 and July 18-19. Motion carried. There will not be a Board meeting in December.

2005 ASSET ALLOCATION STUDY (8th) p. 2

Moved by Mr. Hailey, supported by Ms. Dreves to approve the 2005 Asset Allocation Study (option #3 as proposed in the Asset Allocation Study) presented by Mr. Jeb Burns, Chief Investment Officer. Motion carried.

2006 MERS ADMINISTRATIVE/INVESTMENT BUDGET (8th) p. 3

Following a presentation of the 2006 Budget by Mr. Huelskamp, it was moved by Mr. Klosowski, supported by Ms. Dreves to adopt the 2006 Budget as presented. Motion carried. CEO Wagner reported that a final recommendation from salary study will be presented to the Board at the January meeting.

PUBLIC BOARD MEMBER (9th) p. 3

Moved by Mr. Klosowski, supported by Ms. Dreves to re-appoint Mr. Dennis Murphy to a 3-year term as the Public Board Member. Motion carried.

BOARD APPOINTMENT TO MERS PREMIER HEALTH BOARD (9th) p. 3

Moved by Ms. Stahl, supported by Mr. Ogden appointing Rick Brandi as a Trustee on the MERS Premier Health Interim Board for a term ending December 31, 2008. Motion carried.

CITY MANAGERS OPTING BACK INTO MERS (9th) p. 3

Following discussion of this, moved by Mr. Klosowski, supported by Ms. Stahl to deny reconsideration of the Board's 2004 action not allowing city managers to opt back into MERS. Motion carried.

MERS STATEMENT ON MODIFICATIONS OF STANDARD BENEFIT PROGRAMS (9th) p. 3

Mr. Moquin presented an amendment that non-standard benefit fees shall not apply at the time of initial participation in MERS (or at the time a new divisions of an already participating municipality becomes covered by MERS). Moved by Mr. Murphy, supported by Mr. Klosowski to approve the amendment. – Motion carried.

2005 EMPLOYEE INTEREST RATE RECOMMENDATION (9th) p. 3

MERS CEO and Chief Financial Officer recommended that the employee interest rate be tied to the standard measure of the one-year U.S. T-Bill rate at the end of each fiscal year. Moved by Mr. Hailey that the employee interest rate be tied to the one-year Treasury bill rate as of December 31 on an annual basis, supported by Mr. Johnson. Motion carried.

EMPLOYEE ACTION COMMITTEE REQUEST (9th) p. 4

The EAC submitted a request to the CEO requesting two additional holidays in fiscal year 2006: Columbus Day in October and Presidents' Day in February. This request has no cost impact on the budget. Moved by Mr. Hailey, supported by Mr. Klosowski to award the two requested days to MERS staff. Motion carried.

MERS REAL ESTATE CORPORATION. (9th) p. 4

Mr. Moquin advised that on April 1, 2005, MERS filed with IRS our request for section 501(c)(25) tax-exempt status, to limit liability arising out of real estate ownership. The MERS Real Estate Corporation had been formed, with MERS pension fund as the sole shareholder, for the purpose of acquiring, holding title to, and collecting and remitting income from the property. This means ownership is intended to restrict liability for real estate to the corporation, and thus limit the liability of the pension fund, as is now the case. In recent discussions with tax counsel, IRS reviewer requested that all MERS-owned/leased real estate reflect conveyance to MERS Real Estate Corporation, in addition to other compliance changes.

Moved by Mr. Murphy, seconded by Mr. Klosowski, that the MERS Legal Department is authorized to take such action set forth above as may be reasonably requested by the Internal Revenue Service in order to obtain a Letter of Determination approving the MERS Real Estate Corporation as a 501(c)(25) corporation. In addition, that MERS CEO is authorized, upon request of the Legal Department, to sign the transfer of title from MERS, or the MERS of Michigan Pension Trust, to MERS Real Estate Corporation for the three parcels of MERS-owned land, and for the three leases. Motion carried.

ARCHITECT'S PRESENTATION: EXPANSION OF HOME OFFICE (9th) p. 4-5

The Board viewed a presentation by John Peckham of Martin Property Development, Jeff Sherman of Mayotte/Jacob Architects and Ron Beaton, MERS Operations Manager outlining rough plans for a proposed 9,200 square foot addition to the main MERS home office building.

Ron Beaton reported the need for additional space is based on staff increases from 40 employees to approximately 90 employees over the past three years. This is has been in response to the growth the system is experiencing in new members. He described the due diligence process involved in the selection of an architect for the proposed addition. Three firms submitted bids in response to a Request for Proposal: Mayotte/Jacob Architects, Keystone Design Group and Hobbs & Black. Following extensive interviews with representatives from each firm, Mayotte/Jacob Architects was selected.

Jeff Sherman of Mayotte/Jacob Architects presented a plan and drawings for the proposed addition to be located at the north end of the building. John Peckham then presented the costs relating to construction of the addition as well as a projected completion date of December 2006. Moved by Mr. Klosowski, supported by Mr. Murphy to proceed with the new addition at a cost of \$1.9 million. Motion carried.

NO DECEMBER 2005 BOARD MEETING

END OF 2005 MOTIONS