

MUNICIPAL EMPLOYEES' RETIREMENT BOARD

2006 Motions

January 10-11, 2006

CALL TO ORDER (11th) p 1

Chairperson Walker called the meeting of the MERS Board to order at the MERS home office in Lansing at 9 a.m. Mr. Walker handed the chairperson gavel to CEO Wagner for the nomination of Board officers. Mr. Opelt moved to nominate Mr. Walker for Chairperson, supported by Mr. Klosowski. Motion carried. Mr. Walker resumed the chairperson position. Mr. Klosowski nominated Mr. Opelt for Chairman pro tem, supported by Mr. Murphy. Motion carried.

HCSP DOCUMENTS (11th) p 2

Mr. Moquin stated that technical changes and IRS conformance had been made, but the substance of the documents has not changed and recommended approval. Motion to approve provisions made to HCSP document by Mr. Opelt, supported by Mr. Klosowski. Motion carried.

SALARY STUDY (11th) p 2

Mr. William Rye addressed the Board regarding the review and update of the employee compensation system of MERS. Mr. Rye presented his report and recommendation for salary adjustments of 3% for staff, changes in pay grade placement for certain positions and a separate pay schedule for the Investments Group. Mr. Hailey moved to adopt the report recommendations, supported by Mr. Klosowski. Motion carried. Mr. Hailey moved to consider an annual adjustment to salaries on a yearly basis as determined by CEO Wagner. Supported by Mr. Ogden. Motion carried.

GENERAL CONSENT AGENDA (11th)

Moved by Ms. Stahl, supported by Mr. Ogden to approve the consent agenda with the Investment Report removed. Motion carried. The following items were approved on the Consent Agenda: November 2005 Board Meeting Minutes, CEO Report, Legal Report, and 3rd Quarter Financial Report

2006 BUDGET REALLOCATION (11th) p 3

Mr. Opelt moved to adopt the 2006 Budget Reallocation to cover the salary study adjustments as recommended by Mr. Huelskamp, CFO, which is within the parameters of the already Board approved 2006 budget of \$29,554,900. Supported by Mr. Murphy. Motion carried.

2005 BUDGET RESOLUTION (11th) p 3

Mr. Opelt moved to adopt the 2005 Budget Resolution Amendment that Investment Manager fees be increased by \$3,022,800 to the 2006 investment budget of \$15,300,000 as recommended by Mr. Huelskamp, CFO. Supported by Mr. Ogden. Motion carried.

INSURANCE INCREASES (11th) p 3

Ms. Dreves moved to accept CEO Wagner's recommendation to increase crime/employee dishonesty insurance by \$5 million for an increase of \$12,500 in premium and leave the fiduciary liability coverage at \$10 million. Supported by Mr. Klosowski. Motion carried.

INVESTMENT COMMITTEE REPORT (11th) p 3

Mr. Burns presented the Investment report to the Board. The investment group is searching for a global high yield manager. Mr. Klosowski moved to approve investment in Compass Island Partners for \$15 million in private equity funds. Supported by Mr. Opelt. Motion carried.

ROBERT LEITER v ISABELLA COUNTY ROAD COMMISSION

Following discussion, Mr. Opelt moved that the Board approve the Findings of Fact, Conclusions of Law, and the Proposed Decision in the matter of Robert L. Leiter, Petitioner v MERS, Respondent, in the Proposal For Decision (after stipulated remand) dated November 10, 2005, by Administrative Law Judge Elizabeth Schwartz, recommending that duty disability benefits be Denied. Supported by Mr. Klosowski. Motion carried.

NO FEBRUARY 2006 BOARD MEETING

March 14-15, 2006

OLD BUSINESS (14th) p 1

Experience Study: Moved by Larry Opelt and seconded by John Ogden, to adopt the provisions of the Experience Study – Update 1 as presented by Alan Sonnanstine, senior actuary from Gabriel, Roeder, Smith & Company. Motion carried.

Fiscal Responsibility: Motion by John Ogden and seconded by Dennis Murphy to approve the plan amendment as recommended by the Working Group comprised of MERS staff and GRS actuary consultant to promote fiscal responsibility by embracing eligibility requirements for adopting improved benefits as outlined in the actuary's memorandum dated February 17, 2006. Plan section 2C(3)(b) was amended, the change taking effect immediately; the new section 43C will become effective July 1, 2006. Motion carried.

MERS Hybrid Plan: Motion by Harold Hailey and seconded by John Ogden to adopt MERS hybrid benefit program H with the Plan Document changes as specified in the Board memorandum dated February 17, 2006 from MERS Chief Legal Counsel Michael Moquin and Alan Sonnanstine, senior actuary consultant, GRS. Motion carried. The Board has directed that Member Comments may be made through April 30, 2006, for consideration by the Board at the May 17-18, 2006 meeting.

GENERAL CONSENT AGENDA (15th) p 3

Moved by Ms. Stahl, supported by Mr. Opelt to approve the consent agenda. Motion carried.

The following items were approved on the Consent Agenda:

January 2006 Board Meeting Minutes
CEO Report
Legal Report
Investment Report
2005 Motions
4th Quarter Financial Report
Pension Services 4th Quarter Report
Insurance Services 4th Quarter Report
HCSP trust & Plan Document Revisions
Selection of HCSP & RHFV Record keeping Systems

NEW BUSINESS (15th) p 3

Investment Manager Search:

Mr. Burns gave the Board background on the global high yield manager search. Representatives from Loomis Sayles of Boston and Stone Harbor Investment Partners of New York and London presented their respective companies to the Board for consideration. After discussion, Mr. Ogden moved to hire Stone Harbor pending negotiation of the contract. Seconded by Mr. Hailey. Motion carried.

Mr. Opelt moved to approve Authorized Signatories Resolution, seconded by Mr. Klosowski. Motion carried.

Mr. Johnson moved to adopt Investment Services Pool Program Uniform Resolution, supported by Ms. Stahl. Motion carried.

NO APRIL 2006 BOARD MEETING

May 17-18, 2006

OLD BUSINESS (18th) p 3

MERS Hybrid – Amendment to Section 19B

Pursuant to the May 9, 2006 recommendation of Chief General Counsel, Plan section 19B(1) subsections (a) and (b) are amended, with immediate effect as of March 14, 2006. Moved by Mr. Opelt to approve the amendment, seconded by Mr. Ogden. Motion carried.

Experience Study

Mr. Opelt moved, seconded by Mr. Ogden to approve the amended motion relating to the MERS experience study – Update 1 recommendations. This amended motion is adopted in lieu of the motion previously adopted by the Board on March 14, 2006, and such motion is rescinded, all with an effective date of March 14, 2006. Motion carried.

GENERAL CONSENT AGENDA (18th) p 3

Moved by Mr. Opelt, supported by Mr. Klosowski to approve the consent agenda. Motion carried.

The following items were approved on the Consent Agenda:

March 2006 Board Meeting Minutes

CEO Report

Investments Department 1st Quarter Report

Legal Department Report

Finance Department 1st Quarter Report

Pension Services 1st Quarter Report

Insurance Services 1st Quarter Report

Administrative Services 1st Quarter Report

Marketing Department 1st Quarter Report

Disability Report

Investment Committee Report

Northern Trust Report

Mr. Burns presented the 1st quarter investment report from Northern Trust. The new executive summary is in a more easily understandable format. Mr. Klosowski moved to approve the report, seconded by Mr. Opelt. Motion carried.

NEW BUSINESS (18th) p 4

Huron County vs. MERS & Randy Forster

Mr. Moquin explained that Mr. Forster is making a claim for retiree benefits as a prior part time employee and the County is disputing the employee's eligibility due to part time status.

Mr. Hailey moved to approve hearing officer's February 27, 2006 decision recommending the granting of service credit, and denying the County's contrary claim. Mr. Klosowski seconded.

Chairman Walker called for a roll call vote.

Roll call vote:

Ms. Stahl: abstain

Mr. Walker: yes

Mr. Ogden: yes

Mr. Johnson: yes

Mr. Hailey: yes

Ms. Dreves: yes

Mr. Murphy: yes

Mr. Opelt: yes

Mr. Klosowski: yes

Motion carried.

Mark Johnson vs. MERS

Mr. Johnson is seeking duty disability due to post traumatic stress. The hearing officer recommended disability be granted. Ms. Stahl moved to approve the recommendation, seconded by Ms. Dreves. Motion carried.

Deferred Retirement Applications

Chief Pension Services Officer Debra Peake recommends changing the current Deferred Service Status Policy to policy outlined in Memorandum dated May 9, 2006. Mr. Murphy moved to change policy as outlined in memo, seconded by Mr. Klosowski. Motion carried.

Village of Elsie Withdrawal Motion

Pursuant to the recommendation of the Law Department, Mr. Ogden moved to approve the MERS withdrawal agreement with the Village of Elsie, subject to the Village paying the funding shortfall of \$21,513 not later than June 18, 2006. Seconded by Mr. Klosowski. Motion carried.

2008 Annual Meeting

Ms. Lincoln reported that an agreement has been reached with Grand Traverse Resort for the September 29-October 2, 2008 Annual Meeting. Moved to approve by Ms. Stahl, supported by Ms. Dreves.

NO JUNE 2006 BOARD MEETING

NO JULY 2006 BOARD MEETING

August 15, 2006

GENERAL CONSENT AGENDA (15th) p 1

Moved by Mr. Hailey, supported by Mr. Murphy to approve the consent agenda. Motion carried.

The following items were approved on the Consent Agenda:

- May 2006 Board Meeting Minutes
- CEO Report
- Investments Department 1st Quarter Report
- Legal Department Report
- Finance Department 1st Quarter Report
- Pension Services 1st Quarter Report
- Insurance Services 1st Quarter Report
- Administrative Services 1st Quarter Report
- Marketing Department 1st Quarter Report
- Disability Report
- Investment Committee Report

NEW BUSINESS (15th) p 2

Consolidated Annual Actuarial Valuation Report – GRS

Mr. Sonnanstine of GRS discussed the Consolidated Annual Actuarial Report and Summary of Results. Annual valuations were sent to the member municipalities in June. Mr. Klosowski moved to accept the report, seconded by Mr. Johnson. Motion carried.

Actuarial Audit Report

Mr. Hueslkamp discussed the Actuarial Audit report which the board approved as part of fiduciary responsibility and which should be repeated every five to seven years. This was the first time for an actuarial audit which was a limited scope review. The results showed a clean audit. Mr. Murphy moved to accept the audit, seconded by Ms. Stahl. Motion carried.

Northern Trust Report

Mr. Burns discussed the Northern Trust Report and the total fund performance. He reported June ending the portfolio returned 10% for the one year period, 13.17% for three years and 8.5 % for ten years. He stated the diversification of the portfolio is working and helping to maintain competitive returns. Mr. Burns introduced the new IFRAM report (Integrated Financial Reporting Model) to the Board which is a strategy by strategy analysis of the total portfolio, to be updated quarterly. Mr. Burns said the IFRAM will eventually be web based. Mr. Klosowski moved to receive the report, seconded by Ms. Dreves. Motion carried.

Maka vs. MERS and Muskegon County Disability Case

Mr. Moquin discussed the case filed by a 28 year employee of Muskegon County. Following discussion by the Board, it was moved by Mr. Ogden and seconded by Ms. Stahl, to approve the Findings of Fact and Conclusions of Law and the Proposed Decision in the matter of Cheri Maka v MERS and Muskegon County, Intervenor, in the May 15, 2006 Proposal for Decision by Hearing Officer Elizabeth Schwartz, recommending that Petitioner's claim for a non-duty disability retirement benefits be denied, without prejudice to Petitioner filing a future application in the event a permanent disability arises, so long as such application is filed within 6 years of the date of this order. Motion carried.

Motion to amend Restated Initial Actuarial Valuation and Supplemental Valuation and Supplemental Valuation Procedure and Fee Schedule

Moved by Mr. Opelt, seconded by Mr. Hailey, as recommended by Chief General Counsel, and 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, the revisions to:

The Restated Initial and Supplemental Valuation Procedure are approved, effective July 1, 2006 and the Actuarial Fee Schedule (Attachment A) are approved, effective May 1, 2006. Motion carried.

City of Novi request for a Plan Document revision resolution to exclude temporary employees from membership in MERS

The City of Novi requested that the Retirement Board take under advisement revision of the Resolutions on Excluding Temporary Employees and Defining Hours Per month. Moved by Ms. Stahl, seconded by Ms. Dreves to refer this matter to the appropriate MERS staff and report their recommendation at the September meeting. Motion carried.

September 19 and 21, 2006

OLD BUSINESS (19th) p 1

City of Novi:

The City of Novi, by request of its Finance Officer, has formally asked the Board to consider extending the time period for exclusion of “temporary employees” from MERS membership, from 6 months to one year (Plan Document Section 3(2)). At the August 15 meeting, the Board discussed the request and referred it to staff for more analysis and recommendation at the September 19 meeting. After review, the Pension Services Department recommends a change to the Plan Document to allow a municipality to adopt a resolution to exclude temporary employees using the standard 6 month rule or by defining the number of months that represents a temporary employee in their municipality, not to exceed 1 year. Moved by Mr. Opelt, supported by Mr. Klosowski to approve the recommendation of the staff, as follows:

It is recommended that the Board give conditional approval to amending the Plan Document as requested, to be effective January 1, 2007. Under the Revised Procedure For Review Of Formal Requests For Changes to MERS Plan Document (as revised March 5, 2005), it is further recommended, due to the nature of the change, that:

“Following Board approval for Plan Document changes, notification will be sent to all member employers within the same month. For changes that the Board determines will likely have a substantial effect on the membership, a comment period of not less than ninety (90) days will be observed before implementation will take place.”

This notification, and web posting of the change, will permit comment to be made. Staff will notify the Board whether comments have been, the nature of the comments, and recommend whether the effective date of January 1, 2007 shall be adhered to. Motion carried.

Investment Guidelines and Investment Management Plan (19th) p 2

Mr. Burns discussed the MERS Investment Guidelines and Investment Management Plan with the Board. There have been no major policy changes. Mr. Opelt moved to accept the Investment Guidelines and Investment Management Plan, supported by Mr. Klosowski. Motion carried.

ATTORNEY-CLIENT CONFIDENTIAL WRITTEN COMMUNICATION

Moved by Mr. Murphy, supported by Ms. Stahl to go into closed session to review Chief General Counsel’s memorandum to the Board.

Roll Call:	Mr. Walker:	yes
	Mr. Murphy:	yes
	Ms. Dreves:	yes
	Mrs. Stahl:	yes
	Mr. Opelt:	yes
	Mr. Ogden:	yes
	Mr. Klosowski:	yes
	Mr. Johnson:	yes

Motion carried.

OPEN SESSION RECONVENED.

Mr. Opelt moved to accept the recommendations of MERS Chief General Counsel made during closed session, supported by Mr. Klosowski. Motion carried.

GENERAL CONSENT AGENDA

Moved by Ms. Stahl, supported by Mr. Opelt to approve the consent agenda. Motion carried.

The following items were approved on the Consent Agenda:

- August 2006 Board Meeting Minutes
- CEO Report
- Investments Department September Report
- Legal Department September Report
- Financial Statements 2nd Quarter Report
- Municipality delinquent payment list

NEW BUSINESS

Hybrid Program: Board approval of Uniform Hybrid Resolution

Mr. Moquin presented the proposed Uniform Hybrid Resolution and Actuarial Fee Schedule resolutions to the Board.

Moved by Mr. Opelt, and supported by Mr. Koslowski, as recommended by Chief General Counsel and pursuant to the Board's authority as trustee and fiduciary under Section 36 of 1984 PA 427, as amended; MCL 38.1536, and Sections 19B and 36 of the MERS Plan Document: the MERS Uniform Hybrid Program (Benefit H) Resolution; and the revisions to the actuarial Fee Schedule (Attachment A) are approved, effective October 1, 2006. Motion carried.

DC Program Amendments (19th) p 3

Mr. Moquin presented the proposed DC Program Amendments to the Board.

Moved by Mr. Odgen, and supported by Mr. Opelt, as recommended by Chief General Counsel, and pursuant to the Board's authority as trustee and fiduciary under Section 36 of 1984 PA 427, as amended; MCL 38.1536, and Sections 19A and 36 of the MERS Plan Document: the Restated Benefit Program DC, Plan Section 19A, and the MERS Revised Uniform Defined Contribution program Resolution are approved, effective October 1, 2006.

Other Business

Moved by Mr. Opelt, supported by Mr. Klosowski, to adopt a resolution to formally thank the Attorney General for joining the Amici Curiae brief in Montana Board of Investments vs. Deutsche Bank Securities, Inc. pending on petition for certiorari in the United States Supreme Court. The case is important because it involves the constitutional immunity of a state agency from suit in another state without the agency's consent. Motion carried.

Board Meeting Continued (on 9/21) p 3

Moved by Mr. Murphy, supported by Mr. Klosowski to verify the election of board members, Mr. John Ogden, Employer Delegate, and Ms. Sue Stahl, Employee Delegate. Motion carried.

October 11, 2006

2007 Board Meeting Schedule (11th) p 1

The 2007 Board Meeting dates were reviewed. Ms. Stahl suggested Frankenmuth for the July Board and Officer Retreat. Mr. Opelt moved to accept the 2007 Board Meeting Schedule, supported by Mr. Klosowski. Motion carried.

Mr. Hailey moved to go to closed session to discuss CEO's performance review, supported by Mr. Murphy.

Roll Call:	Mr. Walker:	yes
Mr. Hailey:		yes
Mr. Murphy:		yes
Ms. Dreves:		yes
Mrs. Stahl:		yes
Mr. Opelt:		yes
Mr. Ogden:		yes
Mr. Klosowski:		yes
Mr. Johnson:		yes

Motion carried.

The Board moved back into open session.

November 8 – 9, 2006

OLD BUSINESS: (8th)

Ends Policies

Ms. Wagner discussed the Ends Policies as finalized at the October meeting. The final results are as follows:

- #1 Employers and employees are provided accurate benefit program information
- #2 Employers and employees experience excellent customer service
- #3 Employers and employees participate in cost effective and innovative pooled benefit programs.

Mr. Opelt moved to adopt the Ends Policies as written, supported by Ms. Dreves. Motion carried.

Succession Planning

Mr. Ogden moved to adopt the CEO Succession Plan as presented by Caryn Mateer, Human Resources Manager, at the October board meeting and include it in the Board Governance Policy. Supported by Mr. Opelt. Motion carried.

CEO Evaluation

Mr. Hailey moved to add the CEO evaluation discussion to the agenda, supported by Mr. Murphy. Motion carried. Mr. Hailey distributed the CEO evaluation summary to the Board. Mr. Hailey gave Ms. Wagner the individual evaluations from each board member. Mr. Hailey moved to recommend a bonus payment to Ms. Wagner based on her exemplary performance, supported by Mr. Opelt. Motion carried.

General Consent Agenda

Mr. Opelt moved to approve the consent agenda excluding the CEO Report, seconded by Ms. Dreves. Motion carried.

Ms. Wagner reported that staff has been working on the ICMA-RC request to extend their third party administrative contract for the Defined Contribution Plan by three years with one-year renewals thereafter. The expenses associated with the branding requests made by MERS will be paid by ICMA-RC.

Mr. Opelt moved to approve the CEO Report, supported by Ms. Dreves. Motion carried.

NEW BUSINESS:

Audit RFP

Mr. Huelskamp, CFO, reported that a Request for Proposal for an audit firm was sent to five accounting firms with governmental and pension expertise and proficiency. Mr. Huelskamp recommended the Board retain Andrews, Hooper and Pavlik for another three years. Moved by Mr. Opelt to accept the recommendation, supported by Mr. Klosowski. Motion carried.

Auditors Review of Financial Statements

Mr. Jeff Fineis and Mr. Scot Hoskins of the auditing firm Andrews, Hooper and Pavlik presented a report to the Board giving MERS a clean opinion on the financial statements for year ending December 31, 2005. Mr. Murphy moved to receive the report, supported by Mr. Klosowski. Motion carried.

2007 Budget/Budget Resolution

Mr. Huelskamp, CFO discussed the 2007 budget and presented the following 2007 Budget Resolution for adoption.

The Budget Committee following its November 2006 meeting recommended that the Board adopt the following budget resolution:

WHEREAS the Board received the proposed 2007 Budget on November 8, 2006, and

WHEREAS the Board deliberated over the 2007 Budget at their regularly scheduled meeting on November 8 2006,

NOW, THEREFORE, BE IT RESOLVED that the Retirement Board of the Municipal Employees' Retirement System of Michigan hereby adopt the 2007 Budget (subject to technical and typographical corrections) as follows:

Contributions:	
Employer & Member	\$414,800,000
New Municipalities Transfers/DC	\$ 57,000,000
Investment Income	\$465,256,000
Less Investment Exp Budget	\$ 18,777,000
Security Lending & Misc. Income	<u>\$ 3,900,000</u>
Total Additions	\$922,179,000

2006 Budget Resolution Amendment

Mr. Huelskamp presented the Board with the following 2006 Budget Resolution Amendment.

The Retirement Board at its November 9, 2005 Meeting adopted the 2006 Budget with an Investment Budget of \$16,034,900 based on \$5,082,669,500 in assets:

WHEREAS the Defined Benefit Plan assets have ended the third quarter at \$5,325,000,000 and are projected to be ending the fourth quarter of 2006 at approximately \$5,439,000,000 an increase of \$356,000,000 over the 2006 projected assets for half a year, and

WHEREAS the current year 2006 Budget has \$14,500,000 budgeted for Investment Manager fees based on \$5,082,669,500 in assets and \$11,772,818 has been expensed through the third quarter of 2006 based upon \$5,325,000,000 in assets and with the projected fourth quarter investment manger fees likely to be \$4,150,000 higher due to the higher projected assets of \$5,439,000,000 and

NOW, THEREFORE, BE IT RESOLVED that the Retirement Board of the Municipal Employees' Retirement System of Michigan hereby adopt that Investment Manager fees be increased by \$1,422,000 to \$15,922,000 for the 2006 Budget.

Mr. Opelt moved to approve the 2006 Budget Resolution Amendment, supported by Ms. Dreves. Motion carried.

2007 Benefit Program E Memorandum

CEO Wagner provided the Board with a memorandum regarding Benefit Program E. The actuarial cost of providing post retirement adjustments effective January 1, 2007 under MERS Benefit Program E for five MERS retirees not covered under Benefit Program E-2 is projected to increase the Actuarial Accrued Liability for MERS by \$25,672. Mr. Klosowski moved to approve the adoption of Benefit E for five MERS retirees as stated in the memorandum, supported by Mr. Murphy.

Chairperson Walker called for a roll call vote:

Mr. Walker: no
Mr. Hailey no
Mr. Murphy: yes
Ms. Dreves: no
Mr. Opelt: no
Mr. Ogden: no
Mr. Klosowski: yes
Mr. Johnson: no
Ms. Stahl: absent

Motion failed.

Pension Protection Act 2006 Resolution

Mr. Huelskamp is recommending a resolution to the Board based on the following report: The Pension Protection Act was signed into law on August 17, 2006 by President Bush. Among the many Internal Revenue Code changes, the following ones may affect MERS members (the consensus view of impact upon MERS operations is stated for each):

IRC 72(t) – Waiver of 10% Early Withdrawal Penalty for Public Safety Officers.

Starting August 18, 2006, any qualified public safety employee (defined as police, firefighter, or EMS,) who terminates employment not earlier than age 50 and is age 50 or older may take a partial lump sum, lump sum refund, DROP+ or other payment without an early withdrawal penalty. The prior waiver did not apply until age 55. Minimal MERS impact.

IRC 401(a)(9)(e) – Rollover of Non-spouse Beneficiaries refunds into an IRA.

Effective December 31, 2006 non-spouse beneficiaries may receive refunds from qualified retirement plans and roll them to an IRA or an individual retirement annuity and it will be treated as an “inherited” IRA or annuity. This must be a “direct trustee-to-trustee transfer”. IRS may clarify on whether they can do an indirect rollover. Minimal MERS impact.

IRC 402(c)(2)(A) – Rollover of After Tax Amounts

Effective December 31, 2006 qualified plans (whether defined benefit or defined contribution) may choose to accept after tax direct rollover amounts from a qualified plan retirement plan, so long as the plan separately accounts for such after tax amounts. MERS already has such separate accounting in effect. (Previously only qualified defined contribution plans could accept such after tax rollover amounts.). Minimal MERS impact.

IRC 402(1) – Distribution for Health, Accident, and Long Term Care Insurance for Public Safety Officers. Effective December 31, 2006, a qualified governmental plan may allow eligible retired public safety officers who are disabled or who retired after having reached normal retirement age may, receive up to a \$3000 annual exclusion from gross income for qualified insurance premiums for the person, her or his spouse, and dependent, that is paid directly by the plan to the insurer. An eligible public safety officer includes police, firefighters, corrections, probation, parole, judicial officers, ambulance, rescue squad, and volunteer firefighters. This provision, requires an annual election, and is available for as long as the retired public safety officer is living. The \$3,000 exclusion is the maximum amount allowed per year, no matter how many pension plans a retired public safety officer may be receiving benefits from. The IS Department estimates there are at least 3,000 retired MERS public safety officers.

The \$3,000 exclusion from income for public safety officers while not mandatory, it is recommended to the Board that MERS proceed with the \$3,000 exclusion for the public safety retirees' benefit.

NOW, THEREFORE, BE IT RESOLVED that the Retirement Board of the Municipal Employees' Retirement System of Michigan hereby recommend that MERS staff proceed with implementation of the Pension Protection Act as applicable to MERS members and allow flexibility in the implementation process for the proposed January 1, 2007 start date for the \$3,000 exclusion.

Mr. Opelt moved to adopt the resolution recommended by Mr. Huelskamp, supported by Mr. Ogden. Motion carried.

3rd Quarter Performance

Mr. Burns, Chief Investment Officer, reported the portfolio has returned 10.43% year to date. An overview of the funds quarterly performance was provided.

Mr. Burns recommended that the Board open a search for a new custodial bank, on an invitation only basis. Mr. Hailey moved to authorize the custodial bank search, supported by Mr. Opelt. Motion carried.

Closed Session

Mr. Murphy moved to go to closed session to approve the minutes of the September and October closed session meetings, supported by Mr. Opelt. Chairperson Walker called for a roll call vote:

Mr. Walker: yes
Mr. Hailey: yes
Mr. Murphy: yes
Ms. Dreves: yes
Mr. Opelt: yes
Mr. Ogden: yes
Mr. Klosowski: yes
Mr. Johnson: yes
Ms. Stahl: absent

Motion carried.

The Board moved back into open session. In open session, Mr. Opelt moved to approve the minutes of the September and October closed session minutes as amended, supported by Mr. Ogden. Motion carried.

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