



2010 MUNICIPAL EMPLOYEES' RETIREMENT BOARD MOTIONS

JANUARY 13, 2010 BOARD MEETING

OLD BUSINESS

Defined Contribution Plan TPA Recommendation

Ms. Wagner reported that after many discussions both with the preferred vendors and among the committee members, the staff recommends continuation with the current DC vendor. Provisions in the ICMA-RC contract allow for a roll over without any required action. Moved by Ms. Dreves to approve the continuation of the current vendor, ICMA-RC, supported by Mr. Girard. Motion carried.

GENERAL CONSENT AGENDA

Ms. Dreves moved to approve the Consent Agenda excluding the Legal Report, supported by Ms. Crumley. Motion carried.

2010 FOIA Review and Updated Fee Schedule: The Legal Department has recommended a comprehensive review and restatement of the MERS Freedom of Information Procedures for consideration at the March Board meeting and approval of an updated fee schedule.

Moved by Mr. Wiersma, supported by Mr. Girard, upon consideration of the January 12, 2010 Memorandum of Thomas Petroni, Senior Deputy General Counsel, concurred by Mr. Michael Moquin, Chief General Counsel, the Board directs the Legal Department to undertake a comprehensive review and restatement of the MERS Freedom of Information Act (FOIA) Procedure for review at the March 2010 Board Meeting.

The Board also approves the updated MERS FOIA fee schedule provided as an attachment to the January 12, 2010 Memorandum, to be effective January 1, 2010. Motion carried.

Mr. Ogden moved to receive and file the Legal Report, supported by Mr. Brown. Motion carried.

CLOSED SESSION

Ms. Dreves moved to go to closed session to discuss pending litigation and to review the closed session minutes of the November 12, 2009 meeting.

Roll Call:

Mr. Opelt: Yes
Ms. Dreves: Yes
Ms. Crumley: Yes
Mr. Johnson: Yes
Mr. Girard: Yes
Mr. Ogden: Yes
Mr. Wiersma: Yes
Ms. Newberg: Yes

Motion carried.

The Board moved back into open session. Mr. Girard moved to approve the November 12, 2009 closed session minutes, supported by Ms. Dreves. Motion carried.

NEW BUSINESS

CEO Report

Moved by Mr. Ogden to direct the staff to move forward with initiatives as outlined in CEO Wagner's Memorandum of January 10, 2010, and move forward with draft distressed pension system legislation, supported by Mr. Brown. Motion carried.

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

October 2009 and November 2009 Investment Reports

Mr. Burns provided an update on the MERS portfolio performance as of November 30, 2009. Mr. Burns reported portfolio performance at +17.25% year-to-date (unaudited). Moved by Ms. Dreves and supported by Mr. Brown to accept the Investments Reports. Motion carried.

NO FEBRUARY 2010 BOARD MEETING

MARCH 9, 2010 BOARD MEETING

Experience Study

Mr. Sonnanstine of GRS presented the Experience Study for the period January 1, 2004 – December 31, 2008. He summarized the findings of the Study dated March 2, 2010 and made recommendations concerning economic, non-economic and actuarial method assumptions. Upon consideration of his presentation, and pursuant to the Board's authority as trustee and fiduciary under Section 36 of 1984 PA 427, as amended; MCL 38.1536(2)(d), and Section 36(2)(d) of the MERS Plan Document, Mr. Johnson moved, and Mr. Ogden supported adoption of the following recommendations:

1. Adopt the proposed normal retirement rates effective for the December 31, 2009 annual valuations (Non-Economic Assumptions, Study @ D-2).
2. Adopt a temporarily lower 2% wage inflation assumption (in lieu of the standing 4.5% long-term assumption, which is reaffirmed) for the five calendar years 2010-2014 (effective for the December 31, 2009-2013 annual valuations), reverting to the 4.5% assumption in calendar 2015 (effective for the December 31, 2014 annual valuations) (Economic Assumptions, Study @ C-5).
3. Adopt the proposed assumption for Increases In Final Average Compensation At Retirement effective for the December 31, 2011 annual valuations (Non-Economic Assumptions, Study @ D-30), and affirm the May 14, 2008 Board Motion Relating to the MERS Experience Study (1999-2003) adopting the FAC assumptions there proposed effective for the December 31, 2010 annual valuations.
4. Adopt the proposed Closed Division Funding Policy recommendation (Actuarial Methods, Study @ E-10), which as here modified shall require the following contribution requirements:
 - One (1) times annual benefit payment minimum effective for the December 31, 2011 annual valuations;
 - Two (2) times annual benefit payment minimum effective for the December 31, 2012 annual valuations; and
 - Three (3) times annual benefit payment minimum effective for the December 31, 2013 and subsequent annual valuations.
5. Adopt the proposed Closed Municipality Funding Policy recommendation (Actuarial Methods, Study @ E-12), which as here modified shall require three (3) times annual benefit payment minimum effective for the December 31, 2013 and subsequent annual valuations.
6. Adopt the proposed 70% male / 30% female mortality table gender mix for the sole purpose of calculating benefit amounts payable under optional forms of payment (Forms of Payment II, IIA, III, or IV) for persons with effective dates of retirement on or after January 1, 2011 (Non-Economic Assumptions, Study @ D-37).

Adopt the remaining proposed recommended Economic Assumptions (Study Section C), Non-Economic Assumptions (Section D), and Actuarial Methods (Section E) effective for the December 31, 2011 annual valuations. Motion carried.

Summary Projection Letter and Related Fee Schedule

Upon consideration of the March 3, 2010 Memorandum from Lynda Pittman on behalf of the MERS Fiscal Responsibility Working Group, it was moved by Mr. Ogden and supported by Mr. Brown, that the Board approve the amendments to Section V of the Restated Fee Schedule For Initial Actuarial Valuations And For Supplemental Actuarial Valuations with immediate effect, and directs the Legal Department to make any related changes in the Restated Initial Actuarial Valuation and Supplemental Valuation Procedure (Form 06), and Request for Projection Study (Form 13B). Motion carried.

OLD BUSINESS

Plan Section 31(1) Member Comments: Legal Department Memorandum

After receiving member comments made in person and in view of the number of member comments submitted electronically in response to the Board's request for such comments as posted on the MERS website, it was moved by Mr. Johnson and supported by Mr. Ogden to table until the May meeting further consideration of potential amendments to Plan Section 31(1) and direct staff to post on the MERS website all member comments electronically transmitted as Member Comments following redaction of all personally identifying information. Motion carried.

CLOSED SESSION

Mr. Wiersma moved to go to closed session to discuss pending litigation and personnel matters and review the closed session minutes of the January 13, 2010 meeting. Supported by Ms. Crumley.

Roll Call:

Mr. Opelt: Yes

Ms. Dreves: Yes

Ms. Crumley: Yes

Mr. Johnson: Yes

Mr. Ogden: Yes

Mr. Wiersma: Yes

Ms. Newberg: Yes

Motion carried.

The Board moved back into open session. Mr. Ogden moved to approve the January 2010 closed session minutes, supported by Ms. Dreves. Motion carried.

CEO Contract

Ms. Dreves moved to approve the CEO's Employment Contract, supported by Mr. Wiersma. Motion carried.

NEW BUSINESS

CEO Report

Ms. Wagner presented the CEO Report and discussed:

- Legislative Reception
- Distressed Pension Legislation
- Internal Audit Report
- Annual Meeting general sessions
- Project Updates – Malcolm Baldrige Award and SPG Retreat
- 2010 Legislative Agenda Initiatives

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

Upon consideration of the legislative update provided by CEO Wagner and Chief General Counsel Moquin concerning distressed municipal pension plan legislation and fiscal responsibility legislation and reviewing the draft language of both draft bills, Mr. Ogden moved to approve and endorse MERS legislative initiatives and direct staff to proceed with the legislative process. Supported by Mr. Wiersma. Motion carried.

Freedom of Information Act: Restated MERS Procedures

Moved by Mr. Brown, supported by Ms. Dreves, following the Legal Department's review and recommendation in its March 1, 2010 Memorandum, to adopt the Internal MERS Procedures for Processing FOIA Requests, as restated March 10, 2010. Motion carried.

Contested Cases:

Alpena County v MERS

Petitioner having filed a request that MERS correct its records to reflect that the benefit Rider F55(25) is not in effect for Division 12. Moved by Ms. Dreves, supported by Mr. Brown, that the Board adopts as its own the Findings of Fact and Conclusions of Law as stated by the Hearing Officer in her December 10, 2009 Proposal for Decision and Petitioner's request be granted such that MERS will:

- 1) correct its records so as to remove any indication that the F55(25) retirement benefit is, or has ever been, in effect for the Emergency Dispatch Center or 911 employees of Alpena County in Division 12, and
- 2) issue an official notice of the correction to such persons as it may affect.

Motion carried.

City of Norton Shores v MERS

Petitioner having filed a request for hearing to appeal the System's correction of records under Plan Section 54, crediting certain individuals with additional accrued service based on unreported MERS-eligible part-time employment. Moved by Ms. Dreves, supported by Mr. Wiersma, that the Board accepts and adopts as its own the Findings of Fact and Conclusions of Law as stated by the Hearing Officer in her November 25, 2009 Proposal for Decision, and Petitioner's claim, challenging the System's correction of records under Plan Section 54, is thus denied. Motion carried.

City of Roosevelt Park v MERS

Petitioner having filed a request for hearing to appeal the System's correction of records under Plan Section 54, crediting certain individuals with additional accrued service based on unreported MERS-eligible part-time employment. Moved by Mr. Ogden, supported by Ms. Dreves, that the Board accepts and adopts as its own the Findings of Fact and Conclusions of Law as stated by the Hearing Officer in her November 25, 2009 Proposal for Decision, and Petitioner's claim, challenging the System's correction of records under Plan Section 54, is thus denied. Motion carried.

December 2009 and January 2010 Investment Reports

Mr. Burns provided an update on the MERS portfolio performance. Mr. Burns reported portfolio performance at -1.68% year-to-date (unaudited) as of January 31, 2010. Moved by Ms. Dreves and supported by Mr. Wiersma to accept the Investment Reports. Motion carried.

NO APRIL 2010 BOARD MEETING

MAY 11-12, 2010 BOARD MEETING

OLD BUSINESS

Plan section 31(1) Member Comments: Legal Department Memorandum

As a tax-qualified plan under the Internal Revenue Service, MERS is required to follow the IRS expectation that, as a condition for paying benefits, there has been an actual “bona fide termination of employment in which the employer/employee relationship is completely severed.” The changes are intended to more effectively enforce the federal rules.

After receiving member comments made in person and in view of the number of member comments submitted electronically in response to the Board’s request for such comments as posted on the MERS website, it was moved by Mr. Ogden and supported by Mr. Girard, upon consideration of the May 10, 2010 Memorandum of Chief General Counsel to amend Plan Section 31 with immediate effect as follows:

- The text in former subsection (1) is repealed, new subsection (1)(a) added, with the revision to subparagraph (a) to read “Elected Official or Appointed Official (defined as a person appointed to an elective office) (effective May 12, 2010)” and subsection (1)(b) reserved for future Board action;
- The text in subsection (2) is revised; and
- With respect to all employees other than elected or appointed officials, former section 31(1) shall be considered to remain in effect (as though repeal had not occurred) until such time as the Board adopts language for subsection (1)(b).

Motion carried.

CLOSED SESSION

Mr. Wiersma moved to go to closed session to discuss pending litigation and review the closed session minutes of the March 9-10, 2010 meeting. Supported by Ms. Crumley.

Roll Call:

Mr. Opelt: Yes
Ms. Dreves: Yes
Ms. Crumley: Yes
Mr. Johnson: Yes
Mr. Ogden: Yes
Mr. Wiersma: Yes
Mr. Brown: Yes
Ms. Newberg: Yes

Motion carried.

The Board moved back into open session.

The Board reviewed the report from the Actuary reflecting the impact of reducing the wage assumption from 4.5% to 2%.

Ms. Dreves moved to approve the March closed session minutes, supported by Ms. Crumley. Motion carried.

NEW BUSINESS

CEO Report

Ms. Wagner presented the CEO Report and discussed:

- Distressed Pension Legislation
- Strategic Planning
- Annual Meeting update
- Project Updates – Business Continuity and SPG Retreat
- 2009 Department Accomplishments

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

Plan Amendment 43C, 6 and 7 – Retiree “E” and Service Credit Purchase Funding Requirements

Moved by Ms. Dreves and supported by Mr. Johnson, upon consideration of the May 10, 2010 Memorandum of Chief General Counsel that the Board approve with immediate effect:

- The proposed amendments to Plan Sections 43C(1) by the addition of subparagraphs (a) and (b), 6(1)(c)(last sentence) and 7(1)(b)(last sentence);
- The Benefit E Process 2010 (for implementation of amended Section 43C(1)(a)); and
- The MERS – Service Credit Purchase Calculations Actuarial Procedure (for amended sections 6(1)(c) and 7(1)(b)).

Motion carried.

Plan Amendment Section 19(a) – IRS Compliance

Moved by Mr. Ogden, supported by Mr. Girard upon consideration of the May 7, 2010 Memorandum of the Legal Department, to approve the amendment to Plan Section 19A, with immediate effect. In order to implement the Plan amendment, the Legal Department:

- Shall ensure that pending MERS IRS Determination Letter request is supplemented with amended Section 19A; and
- Is directed and authorized to revise as deemed necessary the Defined Contribution Program documents and forms (including, but not limited to, the Revised Uniform Defined Contribution Resolution, the Uniform Defined Contribution Program Adoption Agreement) and to development new implementing forms as warranted.

Motion carried.

Policy on Procurement: Minor Revision

Moved by Mr. Ogden and supported by Mr. Wiersma, upon consideration of the May 5, 2010 Memorandum from Chief General Counsel Michael Moquin recommending revisions to Paragraph B., E.2. and E.4. of the MERS Policy on Procurement, and adopt the revisions to the Policy. Motion carried.

Contested Case:

Victoria Stewart v MERS, Schoolcraft County

Moved by Ms. Dreves, supported by Ms. Crumley, that the Board adopts as its own the findings of Fact and Conclusions of Law as stated by the Hearing Officer in her March 15, 2010 Proposal for Decision and Petitioner's request that she be granted service credit for service performed for Schoolcraft County from January 2006 to April 2009 is thus denied. Motion carried.

Investments Q1 Performance Report

Mr. Burns provided an update on the MERS portfolio performance. Mr. Burns reported portfolio performance at +3.33 as of March 31, 2010.

Mr. Burns requested Board approval of a \$5M investment in the Michigan Fund, a private equity fund which invests primarily in Michigan based companies. Moved by Mr. Brown to approve the allocation; supported by Mr. Girard. Motion carried.

Investment Education: Emerging Markets

Will be delayed until July meeting. Moved by Ms. Dreves and supported by Ms. Crumley to receive and file the Investment Reports. Motion carried.

NO JUNE 2010 BOARD MEETING

JULY 13-15, 2010 BOARD MEETING

OLD BUSINESS

Plan section 31 Amendments

Moved by Mr. Johnson and supported by Mr. Brown, upon consideration of the July 9, 2010 memorandum addressed to MERS CEO from MERS Chief General Legal Counsel recommending changes as proposed by the Fiscal Responsibility Committee to amend Plan Section 31 as follows:

- (1)(b) Will take effect January 1, 2011 and will not apply where reemployment commenced before January 2, 2011 in compliance with former subsection (1) of

section 31. This section will not alter the present 30-day minimum period required between the last day of work (retirement) and reemployment by the same employer; the allowable hours worked in a calendar year with benefit suspension is limited to 720 hours; wherever over 720 hours are worked, the pension is suspended and reversion to MERS active membership occurs.

- New subsection (3) text is added to reflect existing plan language in sections 19A(2), 19B(2) and 43C(5) specifying the provisions of this section constitute Board action in its exclusive capacity of fiduciary and trustee for the retirement system. In the event any alternation of this section 31 is made or occurs, under section 43B of the Plan Document concerning collective bargaining or under any other plan provision or law, MERS shall not recognize such action, other than in accordance with this section.

Motion carried.

Revised Actuarial Fee Schedule (E Valuation Fee)

Moved by Ms. Dreves and supported by Ms. Crumley, upon consideration of the June 30, 2010 Memorandum of Chief General Counsel Moquin submitted on behalf of the Fiscal Responsibility Group to approve the amendment to the Restated Fee Schedule For Initial Actuarial Valuations and For Supplemental Valuations that provides for a maximum actuarial total fee of \$650 for E Valuations, with immediate effect. Motion carried.

GENERAL CONSENT AGENDA

Mr. Wiersma moved to approve the Consent Agenda excluding the Basis Points Report and the Delinquent Municipalities Report. Supported by Mr. Johnson. Motion carried.

Basis Points Report

After further clarification on the Basis Points Report was provided, Ms. Dreves moved to approve the report, supported by Mr. Ogden. Motion carried.

Delinquent Municipalities Report

Upon further review and discussion of the Delinquent Municipalities Report, Mr. Johnson moved to approve the report, supported by Ms. Dreves. Motion carried.

NEW BUSINESS

Auditors Report: Andrews, Hooper & Pavlik PLC

Mr. Jeffrey Fineis, CPA and Mr. Scot Hoskins, CPA of Andrews, Hooper & Pavlik PLC presented their findings of the 2009 audit of MERS financial statements and declared a clean, unqualified opinion on the financial statements.

Mr. Brown moved to accept the audit results, supported by Mr. Ogden. Motion carried.

CEO Report

Ms. Wagner presented the CEO Report and reviewed department updates, distressed pension legislation, annual meeting update and project reviews.

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

Investments Reports

Mr. Burns provided an update on the MERS portfolio performance. Mr. Burns reported portfolio performance at +1% year to date.

Moved by Ms. Dreves and supported by Mr. Wiersma to receive and file the Investment Reports. Motion carried.

Asset Allocation Analysis

Chief Investments Officer Burns and Senior Investments Officer Smythe presented the Asset Allocation Analysis and discussed proposed changes as outlined in the 2010 Report.

Mr. Brown moved to approve the proposed 2010 asset allocation changes as follows:

- Reduce private equity by 1% - from 8% to 7%
- Increase domestic equities by 1% - from 33.5% to 34.5%
- Increase fixed income with a 5% allocation to emerging market debt – from 25% to 30%
- Add a 5% allocation to micro cap equities within the domestic equity allocation
- Decrease large cap equity exposure and increase allocation to small and mid cap equities
- Increase the risk within the international equity portfolio.

Supported by Ms. Dreves. Motion carried.

POLICY APPROVAL:

Mr. Brown moved to approve the following policies as amended: Business Travel Expenses and Reimbursements Policy, Media Relations Policy, Policy Creation Policy. Supported by Mr. Ogden. Motion carried.

Closed Session

Ms. Dreves moved to go to closed session to discuss pending litigation and review the closed session minutes of the May 12, 2010 meeting. Supported by Ms. Crumley.

CLOSED SESSION

Roll Call:

Mr. Opelt: Yes

Ms. Dreves: Yes

Ms. Crumley: Yes

Mr. Johnson: Yes

Mr. Ogden: Yes

Mr. Wiersma: Yes

Mr. Brown: Yes

Ms. Newberg: Yes Motion carried.

The Board moved back into open session. Ms. Crumley moved to approve the May closed session minutes, supported by Ms. Dreves. Motion carried.

NO AUGUST 2010 BOARD MEETING

SEPTEMBER 15 and 17, 2010 BOARD MEETING

SEPTEMBER 15, 2010

OLD BUSINESS

Plan Section 31(1) Amendments

Moved by Mr. Girard and supported by Mr. Johnson, upon consideration of the September 7, 2010 memorandum addressed to MERS CEO from MERS Chief General Counsel (on behalf of the Fiscal Responsibility Group) to approve the following amendments to Plan Section 31, with immediate effect:

1. First sentence of subsection (1)(b)(ii) relocated to subsection (1), to become the second sentence; and
2. Subsection (1)(b)(iii) amended to provide that:
 - The January 1, 2011 effective date for subsection (b) shall apply uniformly to all reemployed retirees as of that date, without regard to the date reemployment commenced.
 - A retiree who was reemployed prior to January 1, 2011 may apply to the retirement system for exemption from subsection (b). The Board will approve exemption guidelines at its November meeting.

Motion carried.

Plan Amendment: Section 19A(16)(b)

Moved by Mr. Girard and supported by Ms. Dreves, upon consideration of the September 7, 2010 memorandum addressed to MERS CEO from MERS Chief General Counsel to approve (with immediate effect) the following amendment to Plan Section 19A(16)(b):

(b) Termination by Employer. Upon compliance with section 44(1) or 44A(1) of the MERS Plan Document, a participating municipality or court may terminate participation in this defined contribution plan. No termination of MERS participation is required where the employer replaces this defined contribution plan with MERS Benefit Program H (Hybrid).

Motion carried.

GENERAL CONSENT AGENDA

Ms. Crumley moved to approve the Consent Agenda, supported by Ms. Dreves. Motion carried.

NEW BUSINESS

2009 Consolidated Actuarial Report

Mr. Alan Sonnanstine, Senior Actuary with GRS, reviewed the results of the 64th Actuarial Valuation Report as of December 31, 2009 with the Board. Also presented in the report are the results of the 50-year projections of MERS assets, liabilities and cash flow.

Mr. Brown moved to approve the Report, supported by Ms. Newberg. Motion carried.

CEO Report

Ms. Wagner presented the CEO Report and reviewed department updates, annual meeting update and project updates. Ms. Wagner presented a GASB letter recommending changes to public pension accounting disclosures requiring employers place their unfunded pension liabilities on their balance sheets. Mr. Huelskamp discussed additional proposed changes in opposition of the GASB recommendations.

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

Internal Audit Report

Mr. Thompson reported on the status of the audit plan and reported a solid internal control environment. Ms. Dreves moved to approve the audit report, supported by Mr. Brown. Motion carried.

Investments Reports

Mr. Burns provided an update on the MERS portfolio performance. Mr. Burns reported portfolio performance up 3.3% year to date.

Moved by Mr. Girard and supported by Ms. Dreves to receive and file the Investment Reports. Motion carried.

Contested Case:

Gray v MERS; Schoolcraft County, Intervenor

Moved by Mr. Girard, supported by Ms. Dreves to adopt as the Board's Final Order the Hearing Officer's Proposal for Decision dated May 24, 2010, denying the Petitioner's claim for relief. Motion carried.

POLICY APPROVAL:

Mr. Brown moved to approve the Whistleblower Policy, supported by Mr. Ogden. Motion carried. Mr. Brown moved to approve the Electronic Communications and Computer Policy as amended, supported by Ms. Dreves. Motion carried.

SEPTEMBER 17, 2010

Election Certification

Mr. Johnson moved to certify the election of the 64th Annual Meeting Business Meeting on September 15, 2010, electing Officer Member Michael Brown (Election results: Michael Brown 96, John Fuentes 20, Jeff Pardee 17, write in candidate Tim Gengle 1) to a three year term and Employee member Sally Dreves (uncontested) to a three year term on the Board. Supported by Ms. Dreves. Motion carried.

Closed session

The Board remained in open session. Ms. Crumley moved to approve the July 14, 2010 closed session minutes, supported by Ms. Dreves. Motion carried.

MERS Defined Contribution Program and ICMA-RC

MERS Officers Caryn Mateer, Carrie Lombardo, Jeb Burns, Deb Peake and Mike Moquin described the cross-functional workgroup for the transition of services from ICMA-RC to MERS DC program.

Moved by Mr. Brown and supported by Mr. Ogden for the Board to approve the following actions, with immediate effect:

1. The Chief Executive Officer shall as soon as practicable (and not later than September 27, 2010) personally provide to ICMA-RC an original of this Motion providing official notification of MERS non-renewal of the 2006 Alliance Agreement with ICMA-RC for a new one year term commencing December 1, 2010, and endeavor to discuss all issues relating to the transition of services from ICMA-RC to MERS.
2. Following the CEO's discussion with ICMA-RC, MERS shall communicate to MERS participating municipalities and courts the non-renewal of the MERS Defined Contribution Program TPA contract between MERS and ICMA-RC, and transition-related matters.
3. Where an adoption agreement or other defined contribution document relating to MERS Plan Document Section 19A (or the Defined Contribution Component of the Hybrid Program under MERS Plan Document Section 19B) references ICMA, ICMA-RC, ICMA Retirement Corporation Governmental Money Purchase Plan and Trust, and/or Vantage Trust the same shall be deemed and construed as referring to any defined contribution third party administrator selected by MERS, and to the investment options selected by MERS.

Motion carried.

Implementation of Administrative and Investment Functions for MERS Defined Contribution Program

Moved by Mr. Wiersma and supported by Mr. Ogden, upon consideration of the September 14, 2010 Memorandum of the Chief Executive Officer, and pursuant to the Board's authority as trustee and fiduciary under Section 36 of 1984 PA 427, as amended; MCL 38.1536, the Board authorizes and directs MERS staff to undertake all and any necessary actions for the efficient and speedy transition from the former Defined Contribution Plan's third party administrator and full implementation of the MERS Defined Contribution Program under Plan Section 19A, as follows, with immediate effect:

- Staff is authorized to enter into arrangements or agreements with third party administrators for administrative services (including but not limited to Tegrity Administrators, and Tegrity Tech) and investment services (including but not limited to Alliance Bernstein) upon negotiation of satisfactory terms and approval by the Legal Department
- All such arrangements and agreements shall be reported to the Board at its next scheduled meeting.

Motion carried.

NO OCTOBER 2010 BOARD MEETING

NOVEMBER 9-10, 2010 BOARD MEETING

OLD BUSINESS

Plan Section 31(1) Exemption Rules

Moved by Ms. Dreves and supported by Mr. Girard, upon consideration of the November 9, 2010 memorandum addressed to MERS CEO from MERS Chief General Counsel to:

- I. Approve the following amendments to Plan Section 31, with immediate effect:
 1. Underlined text in subsection (1)(a) added.
 2. Underlined text within subsection (1)(b) added:
 - at beginning of (b);and
 - former text in (b)(iii) struck, and new text inserted.

- II. As amended, Plan section 31(1) will read as follows:

Sec. 31. Employment by Participating Municipality or Court; Special Conditions.

The following special conditions shall apply if a retiree becomes employed (**full-time or part-time, by contract, or otherwise**) by a participating municipality or court.

- (1) Retiree employed by the same participating municipality or court from which reduced or unreduced normal age and service retirement occurred. Beginning with the month of January 2011, the employer shall include in their monthly wage and service report to the retirement system the salary and hours of service for all reemployed retirees without regard to the date reemployment commenced.

- (a) **Voter-Elected Official or Appointed Official (defined as a person appointed to an elective office) (effective May 12, 2010).** A retiree who retired as an elected or appointed official (or who had served in such official capacity within one (1) year prior to his or her retirement allowance effective date), or a person who had not retired at the time of his or her election to, or appointment to a vacant position in elective office, who is:

- (i) elected, re-elected, appointed, or re-appointed to the same office (whether in a new term of office or not); or
- (ii) employed in any other capacity (elective, appointive, or otherwise)

shall have his or her benefit suspended during service in such office or

other employment unless at least two (2) years have elapsed since the retirement allowance effective date.

The individual shall not be a member of the retirement system for any purpose. Upon termination of service in such office or other employment, the pension benefit shall cease to be suspended and shall resume the first day of the month following such termination of service or employment without change in amount, and no payment for any amount of the suspended benefit shall accrue or otherwise be made by the retirement system. *This subsection (a) shall take effect May 12, 2010, and shall apply to any retiree whose post-retirement service or employment had commenced on or after that date until the expiration of the present term or occupancy of the office held after retirement (where applicable), provided that such service or employment was commenced in compliance with former subsection (1) of section 31 (see former text in Note 3 below).*

(b) All employees not addressed in subsection (1)(a), including retirees subsequently reemployed as a result of becoming an elected or appointed official (effective January 1, 2011). A retiree who is reemployed or who provides contractual services shall be referred to as a 'reemployed' retiree.

(i) The reemployed retiree shall meet the following conditions:

(A) Thirty (30) calendar days (or more) shall have elapsed since the date the reemployed retiree terminated employment and retired.

(B) The reemployed retiree shall file a "Return to Work Certification" form with the retirement system prior to the date of reemployment acknowledging that the reemployment is not the result of a pre-retirement agreement or understanding with the employer from whom they retired.

(C) The reemployed retiree shall not work in excess of 720 hours in a calendar year.

(D) If the reemployed retiree does not comply with any of the preceding conditions (A), (B) or (C), the pension shall be suspended during any further period (or periods) of reemployment.

(E) During the period of reemployment, a reemployed retiree who works 720 hours or less in a calendar year shall not otherwise be an active member of the retirement system for any purpose.

(F) Where the reemployed retiree works more than 720 hours in a calendar year, the retiree shall be treated as a full member of the system and accrue additional service

benefits. Upon the “final” retirement, the reemployed retiree’s retirement allowance shall be recalculated and the reemployed retiree shall receive the recalculated allowance. This recalculation provision shall apply only one time to any reemployed retiree.

(ii) Upon reemployment of a retiree who retired from their employ, the employer shall file with MERS the Employer Certification stating that no pre-agreement for employment took place before the individual retired.

(iii) A reemployed retiree shall not have his or her pension suspended if either (A) or (B) is met:

(A) The retiree was elected, re-elected, appointed, or reappointed to office prior to January 1, 2011. This exception shall expire not later than the date the office is vacated or the term of office or appointment in effect prior to January 1, 2011 ends.

(B) The retiree was reemployed and had worked as a reemployed employee prior to January 1, 2011, had filed his or her retirement application with the retirement system not later than November 30, 2010, with a retirement allowance effective date not later than December 1, 2010.

A reemployed retiree who satisfies (A) or (B) shall not be subject to subparagraph (b)(i)(B)-(F) or (b)(ii).

******* Subsections (2) and (3) and Notes 1-5 not amended *******

Note 6: By Board action of November 10, 2010, with immediate effect (added language underlined), September 15, 2010 amendments reconsidered, and upon reconsideration:

1. Language in subsection (1)(a) added (no change in first two sentences of subsection (1)).
2. Within subsection (1)(b), text added:
 - at beginning of (b); and
 - (b)(iii) former text struck, and new text inserted.

III. The Retirement Board directs to participating municipalities and courts these cautionary comments on the actuarial impact of rehiring retirees upon the employer’s pension plan.

1. Studies have shown that, when employees are permitted to retire and subsequently return to their former employment positions (i.e. pension and salary), employees on average retire earlier. This earlier than otherwise retirement usually increases employers’ pension liabilities and long term pension costs for these employees. The cost of paying pensions sooner in most cases offsets the savings from avoiding additional pension benefit accruals and freezing the final average compensation.

2. If the employer does not make pension contributions on the rehired retirees' pays, employer pension contributions are initially lower. However, this is just a cost deferral, since the employer contributions will have to eventually increase to cover pre-existing unfunded pension liabilities as well as the increased liabilities discussed in 1.
3. The pension contributions for employers with closed divisions (new hires in the defined contribution plan) are already scheduled to increase in the short term in order to appropriately fund the pension liabilities sooner for the closed divisions. The increased pension contribution (see 1) will affect these closed divisions even more than the open divisions.

IV. The CEO is directed to promptly and comprehensively communicate this amendment and related matters directly to MERS employers, the membership, and to those persons known to staff who have contacted MERS on the September revisions. To that end, the entire Motion shall be part of the communicated material.

Motion carried.

GENERAL CONSENT AGENDA

Ms. Dreves moved to approve the Consent Agenda, supported by Ms. Crumley. Motion carried.

CLOSED SESSION

Mr. Girard moved to go to closed session to discuss a confidential personnel matter, supported by Ms. Dreves.

Roll Call:

Mr. Opelt: Yes

Ms. Dreves: Yes

Ms. Crumley: Yes

Mr. Johnson: Yes

Mr. Girard: Yes

Mr. Ogden: Yes

Mr. Brown: Yes

Mr. Wiersma: Yes

Ms. Newberg: Yes

Motion carried.

The Board moved back into open session. In open session, Ms. Crumley moved to approve the recommendation discussed in closed session, to leave Ms. Wagner's salary unchanged and provide 10% merit, supported by Mr. Wiersma. Motion carried.

NEW BUSINESS

Budget 2011

Upon recommendation of the Budget Committee at the September, 2010 meeting, Ms. Dreves moved and Mr. Brown supported the motion to approve the 2011 Budget Resolution as follows:

Contributions:	
Employer & Member	\$ 387,000,000
New Municipalities Transfers/DC	\$ 100,000,000
Investment Income	\$ 418,000,000
Less Investment Exp Budget	\$ 20,686,300
Security Lending & Misc Income	<u>\$ 3,800,000</u>
Total Additions	\$ 888,113,700

Deductions:	
Retiree Benefits	\$ 472,000,000
Refunds/DC transfers/Spec Exp	\$ 7,400,000
Administrative Expense Budget	<u>\$ 23,412,900</u>
Total Deductions	\$ 502,812,900

Net Increase in Plan Net Assets	\$ 385,300,800
Net Assets in Trust at Beg. of Year	\$ 5,994,069,576
Net Assets in Trust at End of Year	\$ 6,379,370,376
Capital Expenditures	\$ 2,108,000

Motion carried.

CEO Report

Ms. Wagner presented the CEO Report and updated the Board on office activities, Fiscal Responsibility Group, DC Transition, MyMERS portal, FileNet and the October 7 Employer Advisory Group Meeting. Mr. Girard moved to approve the CEO Report, supported by Ms. Dreves. Motion carried.

Upon recommendation of Ms. Wagner, Mr. Girard moved to approve a special request from Grand Traverse County to freeze the county's amortization schedule at 16 years for 2011 through 2013 with an effective date of January 1, 2011 with the provision that MERS actuary provide an opinion on MERS amortization policy for both open and closed groups to be submitted to the Board no later than their March 2011 board meeting. Supported by Mr. Brown. Ms. Dreves abstained. Motion carried.

Investments Reports

Mr. Burns provided an update on MERS 3rd quarter portfolio performance. Mr. Burns reported portfolio performance up 7.16% through September 30, 2010. Moved by Ms. Dreves and supported by Mr. Girard to receive and file the Investment Reports. Motion carried.

Transfer Rules

Based on recent feedback from employers regarding transfers, The Fiscal Responsibility Group recommends the Retirement Board keep the current policy as the default rules for rehired employees and transferred employees and allow municipalities to adopt an alternate transfer provision as follows:

- It applies to transfer employees only. Rehired employees will continue to be enrolled in the active plan.

- A municipality-wide policy. This may not be adopted on a division-by-division basis.
- Employees, provided this employer adopted provision, will have a one-time choice to either:
 - Transfer to the closed division if it is the same plan type (i.e. DB to DB, DC to DC, Hybrid to Hybrid) provided there are still active employees in it
 - Or
 - Transfer into the active plan and freeze their accrued defined benefit (based on benefits, service and wages as of transfer date).

It was moved by Ms. Dreves moved to accept the recommendation of the Fiscal Responsibility Group, supported by Ms. Crumley. Motion carried. Further education will take place at the January meeting.

2011 Board Meeting Agenda and Dates

Moved by Ms. Dreves and supported by Mr. Johnson to approve the agenda and meeting dates for 2011. Motion carried.

NO DECEMBER 2010 BOARD MEETING

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