



2013 MUNICIPAL EMPLOYEES' RETIREMENT BOARD MOTIONS

JANUARY 16, 2013 BOARD MEETING

Election of Board Chairperson

Mr. DeRose stated the first item of business is election of officers for 2013. Mr. DeRose conducted the election for Chairperson. Nominations were declared open. Mr. Ogden nominated Michael Brown to be Chairperson of the Retirement Board for 2013; supported by Mr. Wiersma. Having no other nominees, nominations were closed. Motion carried by unanimous ballot.

Election of Board Chair Pro Tem

Chairperson Brown conducted the election for Chairperson Pro Tem. Nominations were declared open. Ms. Newberg nominated Sally Dreves as Pro Tem of the Retirement Board for 2013; supported by Ms. Deford. Having no other nominees, nominations were closed. Motion carried by unanimous ballot.

OLD BUSINESS

Investment Policy Statements Update (Defined Benefit and Defined Contribution)

Ms. Dreves moved to approve the proposed Investment Policy Statements Updates; supported by Ms. Deford. Motion carried.

General Consent Agenda

Mr. Wiersma moved to approve the Consent Agenda excluding the Finance and Delinquent Municipalities reports of the January 16, 2013 Board Meeting; supported by Mr. Ogden. Motion carried.

NEW BUSINESS

Plan Document Amendments Section 19A and 43C

Upon consideration of the January 9, 2013 Memorandum of the Chief Executive Officer, recommending changes to Benefit Program DC adoption and conversion funding requirements, and setting forth proposed amendments to Plan Sections 19A and 43C. Mr. Ogden moved to approve with immediate effect the amendments to Plan Sections 19A and 43C. Supported by Mr. Wiersma. Motion carried.

Lammers v MERS and City of Ecorse

In the matter of Ronald Lammers, Ms. Dreves moved that the Board accept and adopt as its own, the Findings of Fact and Conclusions of Law stated by the Hearing Officer in her November 20, 2012 Proposal for Decision, and deny Petitioner's request for retirement under Division 12 benefit programs, and grant in part his request for recalculated benefits based on certain unreported compensation. Supported by Mr. LaJoy. Motion carried.

Sparks v MERS and Dickinson County

In the matter of Trudy Sparks, Mr. Wiersma moved that the Board accept and adopt as its own, the Findings of Fact and Conclusions of Law stated by the Hearing Officer in her October 10, 2012 Proposal for Decision, and deny Petitioner’s application for duty disability retirement. Supported by Ms. Newberg. Motion carried.

Investment Guidelines

Mr. Burns presented the investment guidelines. Mr. Gilmore moved that the Board accept the provision to the investment guidelines; supported by Mr. LaJoy. Motion carried.

Authorized Signatories Resolution

Mr. Wiersma moved to approve the updated Authorized Signatories Resolution as requested by MERS Finance Department; supported by Ms. Newberg. Motion carried.

CLOSED SESSION

Mr. LaJoy moved to go into closed session under Section 8(h) of the Open Meetings Act to discuss the General Counsel’s memorandum of advice regarding a request for disclosure of personal information about MERS retirees. Supported by Ms. Newberg. Motion carried. Roll call vote was taken.

- Ms. Dreves: Yes
- Ms. Deford: Yes
- Mr. Ogden: Yes
- Mr. Wiersma: Yes
- Ms. Newberg: Yes
- Mr. Brown: Yes
- Mr. Gilmore: Yes
- Mr. LaJoy: Yes
- Mr. Girard: Absent

The Board moved back into open session. In open session, Mr. Ogden moved to deny the request to disclose personal retiree information for the reasons stated in the General Counsel’s written legal opinion. Supported by Ms. Dreves. Motion carried.

NO FEBRUARY 2013 BOARD MEETING

MARCH 14, 2013 BOARD MEETING

CLOSED SESSION

Ms. Dreves moved to go into closed session under Section 8(h) of the Open Meetings Act. Motion supported by Mr. Girard. Motion carried. Roll call vote was taken.

- Mr. Brown: Yes
- Ms. Deford: Yes
- Ms. Dreves: Yes

Mr. Gilmore: Yes
Mr. Girard: Yes
Mr. LaJoy: Yes
Ms. Newberg: Yes
Mr. Ogden: Yes
Mr. Wiersma: Yes

The Board moved back into open session.

In open session, Ms. Dreves moved that the board accept the recommendations of General Counsel Petroni as presented in the attorney-client privileged memorandum presented in closed session. Motion supported by Mr. Girard. Motion carried.

Mr. Wiersma moved to approve the January 16, 2013 closed session minutes. Motion supported by Mr. Gilmore. Motion carried.

OLD BUSINESS

General Consent Agenda

Ms. Dreves moved to approve the March 14, 2013 consent agenda. Motion supported by Mr. Wiersma. Motion carried.

NEW BUSINESS

Expenditure Authorization

Mr. DeRose presented the Expenditure Authorization request for process re-engineering, training and planning support. Mr. Wiersma moved to approve the Expenditure Authorization request. Motion supported by Mr. LaJoy. Motion carried.

Pace v MERS & Chesterfield Township

In the matter of Brandon Pace, Mr. Gilmore moved that the Board accepts and adopts as its own, the Findings of Fact and Conclusions of Law stated by the Hearing Officer in her January 7, 2013 Proposal for Decision, and grant Petitioner's application for duty disability retirement. Motion supported by Ms. Newberg. Motion carried.

Roth v MERS - Untimely application for disability retirement benefits

In the matter of Pete Roth, Mr. Girard moved that the Board accepts and adopts as its own, the Findings of Fact and Conclusions of Law stated by the Hearing Officer in her January 7, 2013 Proposal for Decision, and deny Petitioner's appeal of the System's rejection of his untimely application for disability retirement benefits. Motion supported by Mr. LaJoy. Motion carried.

Slater v MERS - Retroactive retirement benefits

In the matter of Michael W. Slater, Mr. Gilmore moved that the Board accepts and adopts as its own, the Findings of Fact and Conclusions of Law stated by the Hearing Officer in her January 31, 2013 Proposal for Decision, and deny Petitioner's request for additional benefit payments. Motion supported by Ms. Deford. Motion carried. Ms. Dreves abstained.

NO APRIL 2013 BOARD MEETING

MAY 9, 2013 BOARD MEETING

CALL TO ORDER

Chairperson Michael Brown called the meeting of the MERS Retirement Board to order at 8:30 a.m. on Thursday, May 9, 2013.

Mr. Wiersma moved to approve the March 14, 2013 closed session minutes. Motion supported by Ms. Newberg. Motion carried.

OLD BUSINESS

General Consent Agenda

Mr. LaJoy moved to approve the May 9, 2013 consent agenda. Motion supported by Ms. Dreves. Motion carried.

NEW BUSINESS

Wage Inflation Assumption Memorandum

Mr. DeRose discussed the Wage Inflation Assumption Memorandum recommending that the Board adopt a temporary wage inflation assumption for two more years. Mr. Girard moved to approve the temporary wage inflation assumption for two more years. Motion supported by Mr. Gilmore. Motion carried.

Internal Audit Alignment

Mr. DeRose discussed the Internal Audit Function Memorandum recommending that the Board Governance Policy number 3.5 be changed to clarify the relationship of the Internal Auditor to the Board and CEO. Mr. Ogden moved to accept changes to the Board Governance Policy number 3.5 to include changing section c) 2) from "Board" to "Board Chairperson." Motion supported by Ms. Deford. Motion carried.

Plymouth Township Request for Declaratory Ruling

Mr. Petroni explained that Plymouth Township had requested issuance of a declaratory ruling under Plan Section 36A and the Board's Resolution Establishing Administrative and Declaratory Ruling Process, and recommended that the Board refer the matter to the ALJ for hearing and issuance of a proposed ruling in accordance with Resolution paragraph (4)(d). Ms. Dreves moved that the Board accept Mr. Petroni's recommendation. Motion supported by Mr. Girard. Motion carried.

MERS Employee Service Purchase Policy and Resolution

Mr. DeRose discussed the April 29, 2013 Memorandum from Debra Peake, Chief Employee & Retiree Services Officer, recommending that the Board adopt an Amended Policy for Uniform Application of Plan Document Sections 6 and 7, and companion Resolution Approving Qualified Service Credit Purchases Under Plan Sections 6 and 7. Mr. DeRose and Ms. Peake responded to questions and explained that the Amended Policy was consistent with the Plan Document and past practice, and that the Resolution authorized the CEO to approve only those service purchase requests that satisfied the terms and conditions of the Policy.

Mr. Wiersma moved that the Board approve the Amended Policy for Uniform Application of Plan Document Sections 6 and 7. Motion supported by Ms. Newberg. Motion carried.

Mr. Wiersma moved that the Board approve the Resolution Approving Qualified Service Credit Purchases Under Plan Sections 6 and 7. Motion supported by Ms. Newberg. Motion carried.

Investment Services Program Resolution

Ms. Lombardo, Chief Marketing & Employer Services Officer discussed her April 29, 2013 Memorandum to Mr. DeRose, recommending revision of the Investment Services Program (“ISP”) Uniform Resolution to align ISP with other MERS products and to allow staff to make changes to investment options and fees. Mr. Gilmore moved that the Board approve the MERS Investment Services Program (ISP) Uniform Resolution. Motion supported by Mr. LaJoy. Motion carried.

Pointer v MERS & SMART – Untimely Disability Application

In the matter of Sharon Pointer, Mr. LaJoy moved that the Board accepts and adopts as its own the Findings of Fact and Conclusions of Law stated by the Hearing Officer in her January 31, 2013 Proposal for Decision, and Petitioner’s appeal of the System’s rejection of her untimely application for disability retirement benefits is thus GRANTED. Petitioner’s application for disability retirement benefits, filed more than one year after termination of employment, shall be accepted for evaluation. Motion supported by Mr. Girard. Motion carried.

G. Gatewood v MERS & J Gatewood – Invalid Benefit Election

In the matter of Gloria Gatewood, Ms. Dreves moved that the Board accepts and adopts as its own the Findings of Fact and Conclusions of Law stated by the Hearing Officer in her April 2, 2013 Proposal for Decision, and the Petitioner’s appeal is GRANTED. The election of the Straight Life Retirement Allowance form of payment submitted by John Leon Gatewood dated May 20, 1999, is invalid. The form of payment shall revert to Option II, and overpayments corrected pursuant to Plan Section 54. Motion supported by Ms. Newberg. Motion carried.

Smith v MERS & SMART - Non-Duty Disability

In the matter of Marsha Smith, Mr. Gilmore moved that the Board accepts and adopts as its own the Findings of Fact and Conclusions of Law stated by the Hearing Officer in her January 23, 2013 Proposal for Decision, and Petitioner’s application for non-duty disability retirement is GRANTED. Motion supported by Mr. LaJoy. Motion carried.

NO JUNE 2013 BOARD MEETING

JULY 10-11, 2013 BOARD MEETING

OLD BUSINESS

General Consent Agenda

Mr. Wiersma moved to approve the July 11, 2013 consent agenda excluding the Finance Report. Motion supported by Mr. Girard. Motion carried.

NEW BUSINESS

Policy for Municipalities Exiting MERS

Mr. DeRose discussed his Memorandum dated June 28, 2013, regarding Policy for Municipalities Exiting MERS, recommending that the Board approve amendments to Sections 44 and 44A of the Plan Document which will allow a participating municipality to adopt a non-MERS defined contribution plan without having to terminate participation by vote of the qualified electors.

Motion made by Ms. Dreves, and seconded by Mr. Ogden, pursuant to the Board's authority as trustee and fiduciary under MCL 38.1536, the Board approved the proposed amendments to Plan Sections 44 and 44A as set forth in the Chief Executive Officer's Memorandum and General Counsel's Memorandum dated June 24, 2013, effective September 1, 2013 with insertion of "(i) or (ii)" under section 44(3)(a), as follows: "A municipality that terminates participation in the retirement system pursuant to subsection (1) (a) (i) or (ii) shall be precluded from again becoming a participating municipality during the 5-year period immediately following the effective date of the termination of participation."

Internal Audit Charter

Mr. DeRose and Mr. Markowski discussed the Internal Audit Charter Memorandum recommending that the Board approve the Internal Audit Function. Mr. Gilmore moved to approve the Internal Audit Charter. Motion supported by Mr. LaJoy. Motion carried. Mr. DeRose discussed the revision to section 3.5 of the Board Governance. Ms. Deford moved to accept changes to the Board Governance Policy by removing the duplication of language that is part of the Internal Audit Charter. Motion supported by Ms. Newberg. Motion carried.

Tautkus v MERS and City of Albion Contested Case Hearing

In the matter of Dennis Tautkus, Mr. Ogden moved that the Board issue a final order accepting and adopting as its own the Findings of Fact and Conclusions of Law stated by the Hearing Officer in her April 26, 2013 Proposal for Decision, and deny Petitioner's request for payment of additional pension benefits. Motion supported by Mr. LaJoy. Motion carried.

NO AUGUST 2013 BOARD MEETING

NO SEPTEMBER 2013 BOARD MEETING

OCTOBER 1-3, 2013 BOARD MEETING

General Consent Agenda

Mr. LaJoy moved to approve the October 1, 2013 consent agenda, consisting of the July 2013 Board meeting minutes; legal report, finance report, and internal audit report; supported by Mr. Gilmore. Motion carried.

NEW BUSINESS

Certification of MERS Officer and Employee Delegates

Ms. Deford moved to approve Debra Peake and Katie English as the officer and employee delegates to the 2013 MERS Annual Meeting; supported by Mr. Ogden. Motion carried.

Asset Allocation

Mr. Burns, Chief Investments Officer, presented the 2013 Asset Allocation Analysis. Mr. Burns made a recommendation to the Board to approve the Analysis. Mr. Gilmore moved to approve the 2013 Asset Allocation Analysis; supported by Ms. Dreves. Motion carried.

Internal Audit Plan

Mr. Markowski, Internal Auditor, provided an overview of the Internal Audit Plan. Mr. Markowski made a recommendation to the Board to approve the Internal Audit Plan. Mr. LaJoy moved to approve the Internal Audit Plan; supported by Ms. Dreves. Motion carried.

City of Novi v MERS and Michael Corbett (Contested Case Hearing)

Petitioner City of Novi filed Exceptions to the Hearing Officer's Proposal for Decision, requesting the opportunity for oral argument before the Board. Following discussion, Mr. Ogden moved that the Board deny oral argument; supported by Mr. LaJoy. Motion carried. The Board then went on to consider the PFD on the merits. Following discussion, Mr. Ogden moved that the Board issue its Final Order, accepting and adopting as its own the Findings of Fact and Conclusions of Law stated in the Hearing Officer's July 17, 2013 PFD, and denying Petitioner's appeal of the System's decision to process Mr. Corbett's application for retirement under benefit program F(25). Motion supported by Mr. LaJoy. Motion carried.

HCSP Plan Document Amendment (Plan Sponsor PCORI Fees)

Mr. Petroni discussed the September 10, 2013 Memorandum of the Legal Department recommending approval of a proposed amendment to the HCSP Plan Document, Article I, Section 2, to designate the Board as plan sponsor for purposes paying certain fees under the federal Affordable Care Act. Ms. Dreves moved that the Board adopt the amendment with immediate effect, retroactive to July 1, 2013; supported by Ms. Deford. Motion carried.

457 Plan Document Amendment

Mr. Petroni discussed the September 18, 2013 Memorandum of the Legal Department recommending that the Board adopt a resolution to amend Section 1.9 of the 457 Plan Document and implement companion changes to the Participation Agreement to clarify the definition of "compensation" under the plan. Mr. Gilmore moved to approve the resolution; supported by Mr. Wiersma. Motion carried.

NOVEMBER 13-14, 2013 BOARD MEETING

General Consent Agenda

Mr. Ogden made a motion to approve the consent agenda, excluding the finance report; supported by Mr. Girard. Motion carried.

NEW BUSINESS

Certification of MERS Officer and Employee Delegates

Election Certification

Mr. Wiersma made a motion to certify the election of the 67th Annual Meeting Business Meeting on October 2, 2013, electing Officer Member Michael Brown and Employee Member Sally Dreves to a three year term on the Board; supported by Mr. LaJoy. Motion carried.

Appointment of Public Board Member

Public Board Member Mr. Michael Gilmore's term expires 12-31-2013. Mr. LaJoy made a motion to appoint Mr. Gilmore to a three year term, from January 1, 2014 through December 31, 2016; supported by Ms. Dreves. Motion carried.

2014 Budget Approval

Mr. DeRose and Mr. Hank discussed the 2014 budget. Upon recommendation of the Budget Committee at its September 2013 meeting, Mr. LaJoy made a motion and was supported by Mr. Girard to approve the 2014 Budget Resolution as follows:

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| • | Administrative Expense Budget | \$23,396,200 |
| • | Investment Expense Budget | \$25,843,300 |
| • | Total 2014 Budget Expenses | \$49,239,500 |
| • | Capital Assets | \$3,510,000 |

Motion carried.

City of AuGres – Request for Plan Amendment

The Board considered a resolution by the City of AuGres dated August 6, 2013, asking the Board to consider a plan amendment that would give DC plan participants up to 6 years of additional contributions based on prior non-intervening military service. Ms. Lombardo discussed her October 30, 2013 Memorandum regarding the City of AuGres – Resolution for Defined Contribution Military Service, recommending against a plan amendment due to concerns about employer cost, IRS compliance, and administrative feasibility, and explaining that Staff is prepared to assist employers who wish to adopt policies that reward prior military service outside the plan document. Following further consideration and discussion, Mr. Girard made a motion to deny the City of AuGres' request; supported by Mr. LaJoy. Motion carried.

Recommended Funding Policy for Municipalities Issuing Pension Obligation Bonds (POBs)

The Board considered the October 31, 2013 Memorandum from Alan Sonnanstine, Chief Actuary. Recent legislation (2012 PA 329) allows municipalities to issue bonds for up to the full amount of their unfunded pension liability, contributing the proceeds of the bond issuance to

MERS. A municipality that does issue bonds in this manner may find themselves in an overfunded position, once the additional contribution is adjusted to an actuarial (smoothed) asset value. Under current funding policy, this would result in a funding credit which would lower the contribution below the annual Normal Cost, possibly to \$0. Mr. Sonnanstine opined that paying future benefit accruals from bond proceeds was inconsistent with PA 329, which was intended to cover only unfunded past service liability. Mr. Sonnanstine recommended that the Board adopt the policy that a municipality issuing bonds under PA 329 be subject to a minimum annual employer contribution requirement equal to the Normal Cost. Mr. DeRose commended that the Actuary's recommendation had been studied and concurred in by staff, and was consistent with the system's broader funding objective.

Mr. Girard made a motion to accept the Chief Actuary's recommendation, and adopt the policy that a municipality issuing bonds under 2012 PA 329 be subject to a minimum annual employer contribution requirement equal to the Normal Cost; supported by Ms. Dreves. Motion carried.

Investment Report

Mr. Burns, Chief Investment Officer, presented the portfolio performance report for the period ending September 30, 2013. Mr. Burns recommend that the appointment of the observing Board member be extended from six to 12 months. Ms. Dreves made a motion to accept the recommendation; supported by Ms. Newberg. Motion carried.

Investment Policy Statements (Defined Benefit and Participant Directed Accounts)

Mr. Wiersma made a motion to approve the Investment Guidelines; supported by Mr. Gilmore. Motion carried.

DC Plan Document Amendment – Section 19A

Mr. Petroni, General Counsel, discussed the October 31, 2013 Memorandum of the Legal Department, recommending that the Board adopt a resolution to amend Section 19A(12)(a) of the Restated Plan Document governing forms of benefit under Benefit Program DC. Ms. Deford made a motion to approve the amendment; supported by Mr. Ogden. Motion carried.

TGNORS DB Plan

Mr. Petroni, General Counsel, discussed the November 1, 2013 Memorandum of the Legal Department, recommending that the Board adopt a resolution approving interim changes to the TGNORS DB Plan, drafted by tax counsel to comply with changes in federal tax law, pursuant to MERS' request for an updated IRS Advisory Letter. Mr. Gilmore made a motion to approve the resolution; supported by Ms. Deford. Motion carried.

2014 Board Meeting Schedule

Mr. DeRose presented the 2014 Board meeting schedule. Mr. LaJoy made a motion to approve the 2014 schedule with recommendation to move the January 16th meeting to January 15th; supported by Ms. Deford. Motion carried.

NO DECEMBER 2013 BOARD MEETING

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