



## 2015 MUNICIPAL EMPLOYEES' RETIREMENT BOARD MOTIONS

### **JANUARY 15, 2015 BOARD MEETING**

#### **Election of Board Chairperson**

Mr. DeRose stated the first item of business is election of officers for 2015. Mr. DeRose conducted the election for Chairperson. Nominations were declared open. Ms. Dreves nominated Michael Brown for Chairperson of the Retirement Board for 2015; supported by Mr. Ogden. Having no other nominees, nominations were closed. Motion carried by unanimous ballot.

#### **Election of Board Vice Chair**

Chairperson Brown conducted the election for Vice Chair. Nominations were declared open. Ms. Newberg nominated Sally Dreves for Vice Chair of the Retirement Board for 2015; supported by Mr. Gilmore. Having no other nominees, nominations were closed. Motion carried by unanimous ballot.

#### **Appointment of Public Board Member**

Public Board Member Mr. Jim Wiersma's term expired 12-31-2014. Mr. LaJoy moved to appoint Mr. Wiersma to a three year term for Public Board Member of the Retirement Board from January 1, 2015 through December 31, 2017. Supported by Ms. Deford. Motion carried by unanimous ballot.

### **OLD BUSINESS**

#### **General Consent Agenda**

Mr. LaJoy moved to approve the January 15, 2015 consent agenda; supported by Mr. Girard. Motion carried.

### **NEW BUSINESS**

#### **Plan Document Amendments**

Ms. Lombardo, Chief Marketing & Employer Services Officer, discussed the December 10, 2014 Memorandum to Mr. DeRose, CEO, forwarding and recommending proposed amendments to the Municipal Employees' Retirement System Plan Document. Ms. Lombardo requested that the Board hold the proposed Annuity Withdrawal Program (AWP) under Plan Section 23(3) in abeyance pending further review by staff. Colleen Kuehnel, Growth Manager, presented each of the proposed amendments and responded to questions from the Board.

Mr. Girard moved to approve the proposed changes to the Plan Document as provided and recommended in the December 10, 2014 Memorandum, with the exception of the proposed Section 23(3), and directs staff to make any necessary revisions to forms and procedures required for implementation; supported by Ms. Deford. Motion carried.

### **MERS Ethics Policy**

Ms. Bellar, Senior Deputy General Counsel, discussed the December 18, 2014 Memorandum to Mr. DeRose, CEO, recommending proposed revisions to the Municipal Employees' Retirement System Ethics Policy.

Mr. Wiersma moved to approve the proposed revisions to the Restated Standards of Professional and Ethical Conduct and adopts the Ethics Policy; supported by Ms. Dreves. Motion carried.

### **Janice Morgan v MERS**

In the matter of Janice Morgan, Mr. Ogden recused himself due to the fact that he previously worked with Ms. Morgan at the City of Port Huron and has personal knowledge about the facts of the case. 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 December 5, 2014 Proposal for Decision, and Petitioner's request for non-duty disability retirement benefits is granted. Motion supported by Mr. LaJoy. Motion carried.

### **Internal Audit Plan**

Mr. Markowski, Internal Auditor, presented the 2015 Internal Audit Plan to the Board. Mr. Wiersma moved that the Board approve the 2015 Internal Audit Plan; supported by Mr. Gilmore. Motion carried.

## ***NO FEBRUARY 2015 BOARD MEETING***

## **MARCH 12, 2015 BOARD MEETING**

### **General Consent Agenda**

Mr. Gilmore moved to approve the March 12, 2015 General Consent Agenda, excluding the Finance Report; supported by Mr. LaJoy. Motion carried.

### **NEW BUSINESS**

#### **Resolution – Retiring General Counsel – Tom Petroni**

Mr. Ogden moved to present Mr. Petroni with a Resolution commending his service to MERS and the Retirement Board; supported by Mr. LaJoy. Motion carried.

#### **Restated Plan Document**

Mr. Petroni, General Counsel, discussed the March 4, 2015 Memorandum to Mr. DeRose, CEO, recommending approval of the proposed restated Plan Document of 2015. Mr. Petroni explained that, with the exception of a new "frozen DB" conversion option under the DC and Hybrid plans, and a new annuity withdrawal program under the DB plan, the restatement was primarily a reorganization of existing provisions by type-of-plan (DB, DC, Hybrid). Following discussion, Mr. LaJoy moved to approve the restated MERS Plan Document and new provisions; supported by Mr. Girard. Motion carried.

### **Health Care Saving Program (HCSP) and Retiree Health Funding Vehicle**

Ms. Bellar, Senior Deputy General Counsel, discussed the March 2, 2015 Memorandum to Mr. DeRose, CEO, recommending amendments to the Restated MERS Plan Document for Health Care Savings Program and Retiree Health Funding Vehicle. Mr. Gilmore moved to approve the proposed amendments retroactive to January 1, 2015; supported by Ms. Deford. Motion carried.

### **Grand Traverse County Request**

Ms. Erin Boertman, Employer Services Director, discussed the March 12, 2015 Memorandum to Mr. DeRose, CEO, recommending approval of Grand Traverse County's request for an exception to the funding percentage required for adoption of DC under Plan Section 48(1) (former section 19A(4)). Following discussion, which included consideration of the County's projected future funded level and review by the actuary, Mr. Girard moved to approve the proposed exception to Section 48(1) for Grand Traverse County based on the specific facts and circumstances presented; supported by Mr. LaJoy. Motion carried.

***NO APRIL 2015 BOARD MEETING***

**MAY 13-14, 2015 BOARD MEETING**

### **NEW BUSINESS (May 13, 2015)**

Experience Study - Funding Policy - Mr. Hank, Chief Finance Officer, and CBIZ Actuary, Mr. Koss presented an overview of the Actuarial Experience Study for 2009-2013.

Mr. Hank discussed the May 4, 2015 Memorandum to Mr. DeRose, CEO, recommending the MERS Funding Policy be amended to adopt the practice of "layered amortization or "multiple base amortization." Ms. Dreves moved to approve the proposed amendments; supported by Mr. LaJoy. Motion carried.

### **General Consent Agenda**

Mr. LaJoy moved to approve the May 14, 2015 General Consent Agenda; supported by Mr. Girard. Motion carried.

### **NEW BUSINESS (May 14, 2015)**

#### **CEO Report**

Mr. DeRose presented the CEO Report on:

- MERS Strategic Direction: 2015 Balanced Score Card and 2015 Business Plan
- Experience Study
- Legislative Activities
- Detroit Pension Systems
- Outreach to Customers and Key Stakeholders
- Outreach to Reporters

- Finance Activities
- Investments
- Employee Communication
- NASRA Executive Committee
- IFEBP Public Employees Board
- University of Chicago Harris School of Public Policy Governor's Form

Mr. SaintAmour, Research Services Director, discussed the March 31, 2015 Memorandum to Mr. DeRose, CEO, recommending changing the MERS Balanced Scorecard metric# 12 to a percentage of contact evaluation types meeting the MERS performance standard instead of a ratio. The target for this metric would be above 90%.

Mr. Ogden moved to approve the proposed recommendation; supported by Ms. Dreves. Motion carried.

### **Deferred Status Policy**

Ms. Peake, Chief Employee & Retiree Services Officer, discussed the April 1, 2015 Memorandum to Mr. DeRose, CEO sharing changes that are being made to help participants to better understand their benefit eligibility, specifically when they have earned benefits under more than one employer.

The following changes were recommended and approved to the Deferred Status Policy:

- 1) send annual notices to vested deferred members
- 2) send notices to deferred members within 60-90 days of eligibility
- 3) retroactive benefits will not be paid for applications filed late, with exceptions reviewed on a case-by-case basis.

Ms. Deford moved to approve the proposed recommendations; supported by Ms. Dreves. Motion carried.

### **City of Westland Request for Exception to Plan Document Section 48(4)**

Ms. Erin Boertman, Employer Services Director, discussed the May 1, 2015 Memorandum to Mr. DeRose, CEO, recommending approval of the City of Westland request for an exception to the funding percentage required for adoption of DC under Plan Section 48. Following discussion, which included consideration of the City's projected future funded level and review by the actuary, Mr. Wiersma moved to approve the proposed exception to Section 48 for the City of Westland as a result of the actuary determination and that there will be no negative impact based on the specific facts and circumstances presented; supported by Mr. LaJoy. Motion carried.

### **Freedom of Information Act Law and Policy change**

Ms. Bellar, Senior Deputy General Counsel, discussed the May 14, 2015 Memorandum to Mr. DeRose, CEO, recommending revisions to MERS Freedom of Information Act (FOIA) Policy, necessitated by amendments to the law effective July 1, 2015. Mr. Girard moved to approve the proposed amendments; supported by Mr. Gilmore. Motion carried.

**Shona McDaniel v MERS and SMART**

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 December 17, 2014 Proposal for Decision, and Petitioner's request for disability retirement benefits is Denied. Motion supported by Mr. Girard. Motion carried.

**City of Northville v MERS and Richard Rogowski**

Mr. Girard 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 April 19, 2015 Proposal for Decision; therefore, Respondent's grant of Intervenor's duty-disability retirement is reversed and Intervenor is instead granted non-duty disability retirement. Motion supported by Mr. La Joy. Motion carried.

***NO JUNE 2015 BOARD MEETING***

**JULY 15-16, 2015 BOARD MEETING**

**General Consent Agenda**

Mr. LaJoy moved to approve the May 14, 2015 General Consent Agenda; supported by Mr. Wiersma. Motion carried.

**NEW BUSINESS**

**Certification of MERS Officer and Employee Delegates**

Mr. Girard moved to approve Leon Hank and Peter Charette as the Officer and Employee delegates to the 2015 MERS Annual Conference; supported by Mr. Gilmore. Motion carried.

**Coffield v MERS and Hurley Medical Center**

In the matter of Daniel Coffield v MERS and Hurley Medical Center, Mr. Girard 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 May 1, 2015 Proposal for Decision, and grant Petitioner's request for relief with respect to the IRC Section 401 (a) (17) compensation limits, and deny the remainder of his claim with respect to his compensation and FAC period, and further order MERS to refund Mr. Coffield the employee contributions collected by Hurley Medical Center on the imputed income found by the Hearing Officer to not be includible compensation for purposes of Mr. Coffield's retirement, supported by Mr. LaJoy. Motion carried.

**Shona McDaniel v MERS and SMART**

In the matter of Shona McDaniel v MERS and SMART, Mr. Ogden moved that the Board grant Petitioner's request for a rehearing/reconsideration before the Administrative Law Judge, supported by Mr. Girard. Motion carried.

### **Experience Study - Discussion, Decisions and Outreach approach**

Mr. Sonnanstine and Mr. Koss, senior actuaries from CBIZ, presented the MERS 2009-2013 Experience Study. Upon consideration of the July 6, 2015 Memorandum of Mr. Hank, Chief Financial Officer, concurred by Mr. DeRose, Chief Executive Officer, Mr. Wiersma moved to accept the recommendations as follows, effective with the December 31, 2015 valuation:

- Adopt all economic and non-economic assumption changes recommended by the actuary, including
  - Adopt an updated mortality assumption based on the RP 2014 mortality tables;
  - Adopt a 7.75% net rate of annual investment return assumption, reflecting a 0.25% administrative expense assumption; and
  - Decrease the annual wage inflation assumption to 3.75%
- Adopt a five-year asset smoothing model;
- Phase out the current Option A and Option B amortization schedules for closed divisions, as the amortization period for open divisions decreases in future years; and
- Phase in the layered amortization schedule for future changes in unfunded accrued liabilities. Open and closed-linked divisions would be first affected in the December 31, 2024, valuation. Closed-not-linked divisions would be affected sooner, depending on their current amortization period.
- Phase in the impact of the changes in actuarial assumptions over five years beginning with the December 31, 2015 actuarial valuation.

Motion supported by Mr. Girard. Motion carried.

### **Closed Session**

Mr. Girard moved to go to closed session under Section 8H of the Open Meetings Act at 11:30 a.m.; supported by Mr. Gilmore. Motion carried.

### **Roll Call:**

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

The Board moved back into open session at 11:48 a.m.

***NO AUGUST 2015 BOARD MEETING***

***NO SEPTEMBER 2015 BOARD MEETING***

## **OCTOBER 7, 2015 BOARD MEETING**

### **General Consent Agenda**

Mr. LaJoy moved to approve the July 15-16, 2015 General Consent Agenda; supported by Ms. Dreves. Motion carried.

### **NEW BUSINESS**

#### **MERS Balanced Scorecard Metrics**

Mr. DeRose discussed the August 7, 2015 Memorandum from Ms. Lombardo, Chief Marketing and Employer Services Officer and Mr. SaintAmour, Director of Research Services, recommending changes to the MERS Balanced Scorecard metrics #1, 2, 3 and 15. Mr. Gilmore moved to approve the proposed recommendations; supported by Ms. Deford. Motion carried.

#### **Working in Retirement Guidelines**

Ms. Lombardo, Chief Marketing and Employer Services Officer, and Ms. Mausolf, Marketing Director, discussed the September 21, 2015 Memorandum to Mr. DeRose, CEO, recommending revisions to Sections 9 of the Plan Document. Mr. Ogden moved to approve the proposed recommendations; supported by Ms. Dreves. Motion carried. The Board further directed MERS staff to monitor stakeholders' reactions to these changes, and report to Board for consideration of further changes. Mr. LaJoy moved to direct MERS staff to report to the Board every five years on utilization of these provisions; supported by Mr. Wiersma. Motion carried.

#### **Requalification of the Plan Document**

Mrs. Tarini, General Counsel, discussed the September 17, 2015 Memorandum to Mr. DeRose, CEO, describing the purpose and process of Plan requalification with IRS, recommending the Plan be submitted to IRS for requalification and recommending technical amendments to Sections 46 and 76 of the Municipal Employee's Retirement System Plan Document in anticipation of that submission to IRS.

Mr. LaJoy moved to authorize submission of the Plan to IRS for requalification and to approve the proposed amendments to the MERS Plan Document; supported by Ms. Deford. Motion carried.

#### **Glumb v MERS and Meridian Township**

In the matter of Charles Glumb v MERS and Meridian Township, Mrs. Tarini reviewed with the Board the background of this matter, the administrative hearing, the Administrative Law Judge's Proposal for Decision and the Exceptions and Response to Exceptions filed. After review and discussion, Mr. Ogden made a motion to remand this matter to the Administrative Law Judge for further proceedings on the issue of whether Mr. Glumb has met the requirements of Section 31(1) (e); supported by Mr. LaJoy. Motion carried.

## **NOVEMBER 12, 2015 BOARD MEETING**

### **OLD BUSINESS**

#### **Chief Executive Officer (CEO) 2015 performance evaluation and compensation**

Denise Boucke', Human Resources Director, met with the Board to complete a review of the CEO's Year End Performance through a formal evaluation process. Based on his performance and a comparison of his current compensation to similar positions in similar industries and with the continued goal of adjusting his salary to 115% Full Market Value comp to compa ratio;

Mr. Ogden moved effective January 1, 2016 to adjust the CEO's salary by a 4% merit increase and a 12% lump sum bonus to be awarded year end 2015 based on performance putting his salary at 112% Full Market Value comp to compa ratio.

Motion supported by Mr. Wiersma. Motion carried.

#### **General Consent Agenda**

Mr. LaJoy moved to approve the November 12, 2015 General Consent Agenda; supported by Mr. Girard. Motion carried.

### **NEW BUSINESS**

#### **Election Certification**

Mr. Ogden made a motion to certify the election of the 69th Annual Business Meeting on October 9, 2015, electing Dale Feldpausch as an Officer Member and Jason Sarata as an Employee Member, to a three-year term on the Board, commencing January 1, 2016; supported by Ms. Dreves. Motion carried.

#### **Resolution of appreciation for retiring Board Members**

Mr. Brown proposed resolutions regarding Mr. LaJoy, Officer Member, and Ms. Newberg, Employee Member, commending their service to the MERS Retirement Board. Resolution adopted by acclamation.

#### **Retiree Board position**

Mr. Brown presented information on the Retiree Board position, advising that the term of Mr. Ogden, Retiree Board Member, expires on December 31, 2015. Mr. Ogden then recused himself from the Board discussion. Mr. Girard make a motion to direct MERS staff to review and advise the Board on the need or advisability of adding guidelines to the Board Governance Policy regarding its appointment of the Retiree member and the Investment Board members; supported by Ms. Dreves. Motion carried.

Mr. Girard made a motion to re-appoint Mr. Ogden, Retiree Board Member, to a three year term; supported by Ms. Dreves. Motion carried.

#### **2016 Budget**

Mr. Hank, Chief Financial Officer, and Ms. Waldofsky, Finance Director, discussed the November 12, 2015 Memorandum to Mr. DeRose, CEO, regarding the 2016 Budget. Mr. Hank advised that costs are down approximately 30% since Mr. DeRose's leadership began, and are at 2011 levels, with costs as a percentage of assets at 2000 levels, providing the desired economies of scale. Mr. Hank then reviewed the Budget in detail.

Upon recommendation of the Budget Committee at its October 2015 meeting, Mr. LaJoy made a motion; supported by Mr. Ogden to approve the 2016 Budget Resolution as follows:

- Total 2016 Budget Expenses
- Capital Asset Expenses

Motion carried.

**Reporting and Contribution Enforcement Policy**

Ms. Bellar, Senior Deputy General Counsel, discussed the October 29, 2015 Memorandum to Mr. DeRose, CEO, recommending revisions to the MERS' Enforcement Policy. She advised that the changes are largely to memorialize what has been MERS' practices. Mr. Girard made a motion to accept the recommended revisions to the Enforcement Policy; supported by Ms. Deford. Motion carried.

**Investment Guidelines - Investment Policies Statements (Defined Benefit)**

Investment Policies Statements (Participant Direct Accounts & Institutional Funds) Mr. Burns, Chief Investment Officer (CIO), presented the annual review and some recommended revisions to the Investment Guidelines, Investments Policies Statements (DB), and Investment Policies Statements (Participant Direct Accounts & Institutional Funds). Mr. Wiersma made a motion to approve the recommended revisions to the Investment Guidelines, Investments Policies Statements (DB), and Investment Policies Statements (Participant Direct Accounts & Institutional Funds); supported by Mr. Gilmore. Motion carried.

***NO DECEMBER 2015 BOARD MEETING***

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