



## 2016 MUNICIPAL EMPLOYEES' RETIREMENT BOARD MOTIONS

### JANUARY 21, 2016 BOARD MEETING

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

Mr. DeRose stated the first item of business is election of officers for 2016. Mr. DeRose conducted the election for Chairperson. Nominations were declared open. Mr. Wiersma nominated Michael Brown for Chairperson of the Retirement Board for 2016; supported by Ms. Dreves. 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. Mr. Ogden nominated Sally Dreves for Vice-Chair of the Retirement Board for 2016; supported by Mr. Girard. Having no other nominees, nominations were closed. Motion carried by unanimous ballot.

#### **NEW BUSINESS**

##### **Service Credit Purchase**

Mr. Hank, Chief Financial Officer, discussed the January 11, 2016 Memorandum to Mr. DeRose, CEO, regarding Service Credit Purchase Assumption Changes. Mr. Hank recommends the Board adopt, for purposes of service credit purchase, the actuarial assumption changes recently adopted for purposes of funding the plan and as those may be amended in the future, with the exception of the assumed rate of investment return, which he recommended be hereafter fixed for service credit purchases at 1% less than the System's then-current assumed rate of investment return, to be effective for such purchases as soon as administratively possible.

Mr. Ogden made a motion to accept the recommended revisions to the Actuarial Assumption Governing Service Credit Purchase, supported by Ms. Dreves. Motion carried.

##### **Alpena Regional Medical Center**

Ms. Boertman, Employer Services Director, discussed the January 8, 2016 Memorandum to Mr. DeRose, CEO, recommending the Board approve the request by Alpena Regional Medical Center for an exception to Section 11 of the Plan Document and the Restated Policy on Closed Municipalities to have its reserve assets and liabilities transferred to another tax-qualified plan sponsored by Mid-Michigan Health, which is taking ownership of the Alpena Regional Medical Center, contingent upon the execution of a transfer agreement on terms acceptable to MERS, and direct staff to take appropriate action to implement this decision. Motion made by Mr. Gilmore to approve; supported by Ms. Dreves. Motion carried.

##### **Internal Audit Plan**

Ms. Simon, Internal Auditor, discussed the January 11, 2016 Memorandum to Mr. DeRose, CEO, seeking the Board's approval of the 2016 Audit Plan. Mr. Wiersma made a motion to approve the 2016 Audit Plan; supported by Ms. Deford. Motion carried.



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### **Aho v MERS**

Mrs. Tarini, General Counsel, 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. Wiersma made a motion to reject the proposal for decision and deny non duty disability benefits based on the reasons provided in the exceptions to the PFD; supported by Mr. Feldpausch. Motion carried. Mr. Girard did not participate in the discussion or vote on this matter.

### **Hofer Beneficiary Matter**

Mrs. Tarini, General Counsel, discussed the January 14, 2016 Memorandum to Mr. DeRose, CEO, reviewing with the Board the background of this matter. After review and discussion, Mr. Girard made a motion to accept Option II; supported by Mr. Ogden, to correct the records of the Fund and accept the designation of Justin Hofer as deceased participant Robert Hofer's survivor beneficiary for purposes of the Option II survivor benefit, contingent upon Justin Hofer's return to the Fund of the refunded employee contribution amount he received of \$659.99. Motion carried.

### **McDaniel v MERS and SMART**

In the matter of Shona McDaniel v MERS and SMART, Mrs. Tarini reviewed with the Board the background of this matter. After review and discussion, Ms. Deford made a motion to accept and adopts as its own the Findings of Fact and Conclusions of Law as stated by the Hearing Officer in her November 19, 2015 Proposal for Decision on Remand, and Petitioner's application for non-duty disability retirement is granted; supported by Mr. Gilmore. Motion carried.

***NO FEBRUARY 2016 BOARD MEETING***

**MARCH 17, 2016 BOARD MEETING**

### **Actuarial Assumptions for Optional Forms of Payment**

Ms. Peake, Customer Service Officer, discussed the March 8, 2016 Memorandum to Mr. DeRose, CEO, regarding Optional Forms of Payment Assumption Changes. Ms. Peake recommends the Board adopt the mortality table and assumed rate of investment returns recently adopted for plan funding for purposes of determining actuarial equivalence when changing one form of benefit to another, to be effective for new calculations as soon as administratively possible.

Mr. Girard made a motion to accept the recommended revisions to the Actuarial Assumption Governing Benefit form Conversions, supported by Mr. Wiersma. Motion carried.

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### **Retiree and Independent Members of the Board**

Mr. DeRose, CEO, discussed the March 7, 2016 Memorandum from Mrs. Tarini, General Counsel, regarding Proposed Amendment to Board Governance Policy Regarding Process for Selecting Appointed Board Members. Ms. Bellar, Senior Deputy General Counsel recommended the Board adopted the proposed amendment to the Governance Policy to provide an orderly procedure for the appointment of the retiree members and the two expert members.

Ms. Dreves made a motion to accept the recommended revisions to the Board Governance Policy; supported by Mr. Girard. Motion carried.

### **Closed Session**

Chairperson, Michael Brown called for a motion to enter into closed session pursuant to MCL 15.268(h) of the Open Meetings Act to consider material exempt from disclosure under state law.

Mr. Girard moved that the Board enter into closed session pursuant to MCL 15.268(h) of the Open Meetings Act to consider material exempt from disclosure under state law. Motion supported by Mr. Gilmore. The Chairman directed that a roll call vote be taken, and the Retirement Board members voted as follows:

Mr. Brown	Yes
Ms. Deford	Yes
Ms. Dreves	Yes
Mr. Gilmore	Yes
Mr. Sarata	[Absent]
Ms. Feldpausch	Yes
Mr. Ogden	Yes
Mr. Wiersma	Yes
Mr. Girard	Yes

The motion being adopted, the Chairman then directed that the Retirement Board enter into closed session pursuant to MCL 15.268(h) of the Open Meetings Act to consider material exempt from disclosure under state law.

### **Closed Session**

In closed session, Mr. DeRose, CEO, provided an update on attempts to resolve differences with Eaton County concerning the Settlement Agreement.

In closed session, General Counsel Tarini discussed the Settlement Agreement and presented to the Board her March 10, 2016 Attorney-Client Privileged Memorandum. The Board consulted with Mr. DeRose and Mrs. Tarini and discussed the bases of the General Counsel's written recommendation.

Chairperson, Michael Brown asked for a motion to exit closed session. Mr. Wiersma moved to exit closed session; supported by Mr. Ogden. The Chairman directed that a roll call vote be taken, and the Retirement Board members voted as follows:



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Mr. Brown	Yes
Ms. Deford	Yes
Ms. Dreves	Yes
Mr. Gilmore	Yes
Mr. Sarata	[Absent]
Ms. Feldpausch	Yes
Mr. Ogden	Yes
Mr. Wiersma	Yes
Mr. Girard	Yes

The motion being adopted, the Chairman then directed that the Retirement Board exit closed session.

### **Open Session**

The Board re-entered open session.

### **Recommendation for Resolution of Eaton County Settlement Agreement**

Mr. Girard made a motion to accept the recommendation contained in General Counsel Tarini's Memorandum dated March 10, 2016, as amended in closed session; supported by Mr. Gilmore. Motion carried.

### **OLD BUSINESS**

#### **Supplemental Benefit Recommendations for Benefits-Limited Employees**

Ms. Boucke, Human Resources Director, and Mrs. Tarini, General Counsel, met with the Board to complete a review of benefit options for MERS employees' that may exceed the IRS maximum compensation limit to supplement their retirement benefits.

Mr. Ogden made the motion to approve the recommendation to participate in the already-existing MERS IRC 401 (a) Defined Contribution (DC) plan with eligible employees being those who exceed the compensation limit of the Defined Benefit (DB) Plan. The amount distributed each year will be discretionary based on the annual IRS maximum compensation limit and Board approval. For 2016, this includes Option #2 in the January 21, 2016 and February 29, 2016 memos from Ms. Boucke and Mrs. Tarini with the subject Supplemental Benefit Recommendation for Benefit - Limited Motion supported by Mr. Gilmore. Motion carried.

***NO APRIL 2016 BOARD MEETING***

## MAY 19, 2016 BOARD MEETING

### NEW BUSINESS

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

Mrs. Tarini, General Counsel, reviewed with the Board the background of this matter, the administrative hearing, the Administrative Law Judge's Proposal for Decision, the Exceptions and Response to Exceptions filed, the Board's remand, the ALJ's second Proposal for Decision, and the Exceptions and Response to Exceptions filed in respond to the second PFD. After review and discussion, Mr. Girard made a motion to deny petitioner's application for disability retirement benefits contingent upon Intervenor Meridian Township verifying in a signed writing to MERS and Petitioner that Petitioner's favored work duties will remain substantially unchanged and that the favored work assignment is indefinite. Motion supported by Ms. Dreves. The Chairman directed that a roll call vote be taken, and the Retirement Board members voted as follows:

Mr. Brown	Yes
Ms. Deford	Yes
Ms. Dreves	Yes
Mr. Gilmore	Yes
Mr. Girard	Yes
Mr. Feldpausch	[Absent]
Mr. Sarata	Yes
Mr. Ogden	Yes
Mr. Wiersma	[Absent]

The motion was adopted.

#### **Closed Session**

Chairperson Michael Brown called for a motion to enter into closed session pursuant to MCL 15.268(h) of the Open Meetings Act to consider material exempt from disclosure under state law.

Mr. Ogden moved that the Board enter into closed session pursuant to MCL 15.268(h) of the Open Meetings Act to consider material exempt from disclosure under state law. Motion supported by Ms. Dreves. The Chairman directed that a roll call vote be taken, and the Retirement Board members voted as follows:

Mr. Brown	Yes
Ms. Deford	Yes
Ms. Dreves	Yes
Mr. Gilmore	Yes
Mr. Sarata	Yes
Ms. Feldpausch	[Absent]
Mr. Ogden	Yes
Mr. Wiersma	[Absent]
Mr. Girard	Yes

## **2016 MUNICIPAL EMPLOYEES' RETIREMENT BOARD MOTIONS**

The motion being adopted, the Chairman then directed that the Retirement Board enter into closed session pursuant to MCL 15.268(h) of the Open Meetings Act to consider material exempt from disclosure under state law at 12:10 p.m. The Board moved back into open session at 12:19 p.m.

### ***NO JUNE 2016 BOARD MEETING***

### **JULY 20-21, 2016 BOARD RETREAT AND MEETING**

#### **NEW BUSINESS**

##### **Discussion and Approval of the 2017-2020 Strategic Plan**

Ms. Lombardo, Chief Strategic and External Affairs Officer, responded to the Board's questions regarding the 2017-2020 Strategic Plan and she recommended changes for the Board's consideration.

Mr. Wiersma moved to approve the 2017-2020 Strategic Plan as amended; supported by Ms. Dreves. Motion carried.

##### **Certification of MERS Officer and Employee Delegates**

Ms. Deford moved to approve Denise Boucke' and Cristal Ballard as the Officer and Employee delegates to the 2016 MERS Annual Conference; supported by Mr. Girard. Motion carried.

##### **Board Governance Policy**

Mrs. Tarini, General Counsel, discussed the July 21, 2016 Memorandum to the MERS Retirement Board recommending revisions to the MERS Governance Policies.

Mr. Gilmore moved to approve the revisions to the MERS Governance Policies and the Global Outcomes Statement; supported by Mr. Ogden. Motion carried.

##### **457 In-Plan Roth Conversion**

Ms. Mausolf, Marketing and Product Development Director, discussed the July 6, 2016 Memorandum to Mr. DeRose, CEO, recommending an amendment to add an In-Plan Roth conversion feature to the MERS 457 Plan Document.

Mr. Girard moved to approve the amendments to the 457 Plan Document as set forth in the July 6, 2016 Memorandum of the Chief Strategic and External Affairs Officer and the Marketing and Product Development Director; supported by Ms. Deford. Motion carried.

##### **457 Plan Document Amendments - Administrative and Compliance**

Ms. Bellar, Senior Deputy General Counsel, discussed the July 21, 2016 Memorandum to Mr. DeRose, CEO, recommending revisions to the MERS 457 Plan Document.



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Ms. Dreves moved to approve the revisions to the MERS 457 Plan Document as set forth in the July 21, 2016 Memorandum of the Senior Deputy General Counsel; supported by Mr. Girard. Motion carried.

### **Revisions to Closed Amortization Policy**

Ms. Bellar, Senior Deputy General Counsel, discussed the July 21, 2016 Memorandum to Mr. Hank, Chief Financial Officer, recommending revisions to the Amended Amortization Policy for Closed Divisions within Open Municipalities.

Mr. Ogden moved to approve the revisions to the Amended Amortization Policy for Closed Divisions within Open Municipalities as set forth in the July 21, 2016 Memorandum of the Senior Deputy General Counsel; supported by Ms. Dreves. Motion carried.

### **Ionia County Road Commission**

Ms. Boertman, Customer Relations Director, discussed the July 8, 2016 Memorandum to Mr. DeRose, CEO, regarding the Ionia County Road Commission's request for an exception to the funding requirements of Plan Document Section 48, allowing them to adopt MERS' Defined Contribution Plan for new hires.

Mr. Ogden moved to direct staff review the rationale for the current Plan provision in the context of recent changes made in the MERS' funding policy, and to develop options for the Board to consider; supported by Mr. Girard. Motion carried.

### **Closed Session**

Chairperson, Michael Brown called for a motion to enter into closed session pursuant to MCL 15.268(h) of the Open Meetings Act to consider material exempt from disclosure under state law.

Ms. Deford moved that the Board enter into closed session pursuant to MCL 15.268(h) of the Open Meetings Act to consider material exempt from disclosure under state law. Motion supported by Ms. Dreves. The Chairman directed that a roll call vote be taken, and the Retirement Board members voted as follows:

Mr. Brown	Yes
Ms. Deford	Yes
Ms. Dreves	Yes
Mr. Gilmore	Yes
Mr. Sarata	Yes
Mr. Feldpausch	Yes
Mr. Ogden	Yes
Mr. Wiersma	Yes
Mr. Girard	Yes

The motion being adopted, the Chairman then directed that the Retirement Board enter into closed session pursuant to MCL 15.268(h) of the Open Meetings Act to consider material exempt from disclosure under state law at 11:55 a.m.

***NO AUGUST 2016 BOARD MEETING***

**SEPTEMBER 12, 2016 BOARD MEETING**

**OLD BUSINESS**

**Experience Study Impact Analysis**

Mr. DeRose, CEO, discussed the September 61h Memorandum to the MERS Retirement Board, regarding the Experience Study Implementation Adjustments and provided background on MERS Funding Policies. Ms. Boertman, Customers Relations Director, presented information on the Amortization Policy, Closed Division Alternative Policy, Fiscal Responsibility Policies, and Fixed Amortization. Mr. DeRose recommended the Board approved the following changes:

1. Based on through actuarial analysis, allow each open group a one-time opportunity to reset its existing UAL amortization period up to 30 years fixed, and all currently closed groups a one-time opportunity to reset their existing UAL amortization period up to 25 years fixed.
2. Eliminate the accelerated funding policy for groups who are or will close to DC for new hires.
3. Remove the 50% minimum funding requirement for groups closing to DC for new hires.

Mr. Wiersma moved to concur with the recommendation of the CEO, adopt the foregoing changes as presented, and further, that the Plans and all other relevant Board policies are hereby amended to comport and implement this action, motion supported by Mr. Sarata. Motion carried.

**NEW BUSINESS**

**Hull v MERS**

Mrs. Tarini, General Counsel, reviewed with the Board the background of this matter, the administrative hearing and, the Administrative Law Judge's Proposal for Decision. After review and discussion, Mr. Gilmore made a motion to accept and adopts as its own the Findings of Fact and Conclusions of Law as stated by the Hearing Officer in her June 17, 2016 Proposal for Decision, and deny petitioner's claim for survivor benefits. Motion supported by Ms. Dreves. The motion was adopted.

**Jackson v MERS**

Mrs. Tarini, General Counsel, reviewed with the Board the background of this matter. After review and discussion, Ms. Dreves made a motion to accept and adopts as its own the Findings of Fact and Conclusions of Law as stated by the Hearing Officer in her August 18, 2016 Proposal for Decision, and Petitioner's application for non-duty disability retirement is denied; supported by Mr. Wiersma. The motion was adopted.



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### **Holmes v MERS**

Mrs. Tarini, General Counsel, reviewed with the Board the background of this matter. After review and discussion, Ms. Deford made a motion to accept and adopts as its own the Findings of Fact and Conclusions of Law as stated by the Hearing Officer in her July 27, 2016 Proposal for Decision, and Petitioner's application for nonduty disability retirement is denied; supported by Mr. Gilmore. The motion was adopted.

### **SEPTEMBER 27, 2016 BOARD MEETING**

### **NEW BUSINESS**

#### **Declaratory Ruling Request- City of Flint re: Halstead**

Mrs. Tarini, General Counsel, discussed the September 14, 2016 Memorandum to Mr. DeRose, CEO, regarding the request for Declaratory Ruling from the City of Flint with respect to benefits payable to retiree David Halstead. After review and discussion, Mr. Ogden made a motion to refer the matter to MERS' administrative law judge as stated with Section 72(3) of the Plan Document. Motion supported by Ms. Deford. Motion carried.

#### **Asset Allocation**

Mr. Burns, Chief Investments Officer, presented the 2016 Asset Allocation Analysis. Mr. Gilmore made a recommendation to approve the Analysis; supported by Mr. Feldpausch. Motion carried.

### ***NO OCTOBER 2016 BOARD MEETING***

### ***NO NOVEMBER 2016 BOARD MEETING***

### **DECEMBER 5, 2016 BOARD MEETING**

### **OLD BUSINESS**

#### **2016 CEO Performance Evaluation**

Denise Boucke, Chief Customer Service Officer, and Andy George, Human Resources Manager, 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 120% Full Market Value comp to compa ratio



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Mr. Ogden moved to adjust the CEO's salary by a 5% merit increase effective January 1, 2017 putting his salary at 117% Full Market Value comp to compa ratio and a 15% lump sum bonus to be awarded year end 2016 based on performance. Motion supported by Mr. Wiersma. Motion carried.

### **NEW BUSINESS**

#### **2017 Board Meeting Calendar**

Mr. Gilmore moved to approve the 2017 MERS Board Meeting Calendar as amended, to begin meetings at 8:30 a.m., supported by Mr. Wiersma. Motion carried.

#### **Public Employee Board Position**

Mr. Wiersma moved to appoint Mr. Michael Gilmore as a Public Member of the MERS Retirement Board to a three-year term commencing January 1, 2017; supported by Ms. Deford. Motion carried.

#### **Product Management: Normal Retirement Age Option**

Ms. Lombardo, Chief Strategic and External Affairs Officer, and Ms. Mausolf, Marketing and Product Development Director, discussed the November 18, 2016 Memorandum to Chris DeRose, CEO, recommending proposed amendments to the Plan Document Section 20 and 68 to allow employers to establish later ages for Normal Retirement Age for the MERS Defined Benefit Plan and Hybrid Plan and direct staff to make all necessary revisions to the System's forms, policies and procedures required for its implementation. Mr. Ogden moved to approve the proposed amendments; supported by Ms. Deford. Motion carried.

#### **Accommodating Additional and Prepaid Contributions**

Mr. Hank, Chief Financial Officer, discussed the November 21, 2016 Memorandum to Chris DeRose, CEO, recommending the Board adopt the proposal for the establishment of surplus divisions, adopt with immediate effect the amendments to the Plan Document, and direct staff to make all necessary revisions to the System's forms, policies and procedures required for implementation of the surplus divisions. Mr. Feldpausch moved to approve the proposed amendments; supported by Ms. Deford. Motion carried.

#### **2017 Budget**

Mr. Hank, Chief Financial Officer, and Ms. Waldofsky, Finance Director, discussed the November 21, 2016 Memorandum to the Board regarding the 2017 Budget.

Upon recommendation of the Budget Committee at its October 2016 meeting, Ms. Deford made a motion; supported by Mr. Gilmore to approve the 2017 Budget as follows:

Total 2017 Budget Expenses	\$46,125.807
Capital Asset Expenses	\$ 5,186.300

Motion carried.



## 2016 MUNICIPAL EMPLOYEES' RETIREMENT BOARD MOTIONS

### **Internal Audit Plan**

Ms. Simon, Internal Auditor, presented the 2017 Internal Audit Plan to the Board. Mr. Gilmore moved that the Board approve 2017 Internal Audit Plan; supported by Ms. Dreves. Motion carried.

### **Carson v MERS**

Mrs. Tarini, General Counsel, reviewed with the Board the background of this matter, the stipulations of the parties to facts, the Administrative Law Judge's Proposal for Decision and the Exceptions and Response to Exceptions filed. After review and discussion, Mr. Wiersma made a motion to accept and adopts as its own the Findings of Fact and Conclusions of Law as stated by the Hearing Officer in her August 15, 2016 Proposal for Decision, and Petitioner's application for disability retirement benefits is denied; supported by Mr. Ogden. Motion carried.

### **Aho v MERS**

Mrs. Tarini, General Counsel, reviewed with the Board the background of this matter, including the administrative proceedings, the Administrative Law Judge's Proposal for Decision and the Exceptions and Response to Exceptions filed. At its January 21, 2016 meeting, the Board rejected the ALJ's proposal for decision and denied Mr. Aho's application for disability retirement benefits for the reasons identified in the Exceptions to the PFD.

Aho timely filed an appeal of the Board's decision in the Marquette County Circuit Court. Following the filing of briefs and oral argument, the Court concluded that the Board's decision was not consistent with the requirements of MCL 24.285, reversed that decision, and remanded the case to the Board for issuance of a final order in compliance with that provision.

After review and discussion, Mr. Gilmore made a motion to amend the Board's original decision and order in this matter to reflect the Board's findings of fact, and adopt the conclusions of law reflected in MERS' Exceptions to the PFD; supported by Ms. Deford. Motion carried. Mr. Girard did not participate in the discussion or vote on this matter.

### **Investment Guidelines – Investment Policies Statements (Defined Benefit)**

#### **Investment Policies Statements (Participant Direct Accounts & Institutional Funds)**

Mr. Burns, Chief Investment Officer, and Mr. Michael Charette, Director of Public Markets, presented the annual review and recommended revisions to the Investment Guidelines, Investments Policies Statements (DB), and Investment Policies Statements (Participant Direct Accounts & Institutional Funds). Ms. Deford 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. Sarata. Motion carried.