

A regular meeting of the Michigan Public School Employees Retirement System Board was held at the General Office Building, 7150 Harris Drive, Conference Room A, Dimondale, Michigan, on Thursday, January 31, 2008. The following members, staff and observers participated:

Members Present: Ivy Bailey, Active Classroom Teacher Member
Michael Flanagan, Superintendent of Public Instruction
Jeff Hoffman, General Public Member, Actuarial Experience
Steven Jagusch, General Public Member, Investment Experience
William Lawson, Retired Finance/Operations Member and as a representative of the largest retiree organization
Richard Montcalm, Finance/Operations Member, Non-superintendent
John Olekszyk, Retiree Member
Diana Osborn, Non-Certified Support Member

Staff Present: Phil Stoddard, Executive Secretary
Terry Rideout, Recording Secretary

Others Present: Ernest Dear, Bonnie Carpenter, Robert Arthur, Iris Arthur, Michael Gardner, and Richard Bott of the Michigan Association of Retired School Personnel; John Winn of the Michigan Education Association-Retired; Janet Ketchum of the Retirement Coordinating Council; David Martell of Michigan School Business Officials; Brad Biladeau of the Michigan Association of School Administrators; Mary Ellen Caldwell of Central Michigan University; Richard Schaper of Western Michigan University; Rob Spagnuolo of Waverly Community Schools; Kim Cosgrove of Holt Public Schools; Jeff Mills of the Van Buren Intermediate School District; Greg Baracy of Wayne-Westland Community Schools; Vincent Dragonetti; Branko Bojicic of Blue Cross Blue Shield of Michigan; Lisa Eggert of Delta Dental; Ben Louagie of Gabriel Roeder Smith & Co.; Richard Williams of Williams & Co.; Thomas Schimpf of the Attorney General's Office; Laurie Hill, Kathy Tober, and Kathy Ciaramella of the Office of Retirement Services.

Call to Order

Chair Diana Osborn called the meeting to order at 10:30 a.m.

Excusing of Absent Members

Michael Flanagan moved, John Olekszyk supported, to excuse the absences of Lenore Croudy, Edwin Martinson and Martha Pichla. The motion carried unanimously.

Approval of Agenda

Richard Montcalm moved, Michael Flanagan supported, to approve the agenda as presented. The motion carried unanimously.

Approval of Minutes

Richard Montcalm moved, John Olekszyk supported, to approve the minutes of the November 29, 2007, meeting as presented. The motion carried unanimously.

Administrative HearingsProposal for Decision–Docket 2007-AH084

The Board considered the case materials. Richard Montcalm moved, Ivy Bailey supported, that the Board adopt as its own the recommendation of the Presiding Officer in the October 23, 2007 PFD, including the proposed Findings of Fact and Conclusions of Law, except for the changes requested by Respondent, and deny Petitioner's request for survivor retirement benefits using the form of decision and order offered by Respondent. The motion carried unanimously.

Proposal for Decision–Docket 2007-AH037

The Board considered the case materials. Richard Montcalm moved, John Olekszyk supported, that the Board adopt as its own the recommendation of the Presiding Officer in the November 28, 2007 PFD, including the proposed Findings of Fact and Conclusions of Law, and deny Petitioner's request for duty or non-duty disability retirement benefits. The motion carried unanimously.

Proposal for Decision–Docket 2007-AH048

The Board considered the case materials. Richard Montcalm moved, Jeff Hoffman supported, that the Board adopt as its own the recommendation of the Presiding Officer

in the November 14, 2007 PFD, including the proposed Findings of Fact and Conclusions of Law except for the changes requested by Respondent, and deny Petitioner's request for duty disability retirement benefits, using the form of the decision and order offered by Respondent. The motion carried unanimously.

Proposal for Decision--Docket 2007-AH028

The Board considered the case materials. Ivy Bailey moved, Jeff Hoffman supported, that the Board reject the recommendation of the Presiding Officer in the November 16, 2007 PFD, including the proposed Findings of Fact and Conclusions of Law, and deny Petitioner's appeal from the computation of his final average compensation based upon Respondent's Exceptions and the administrative record, using the form of the decision and order offered by Respondent. A roll call vote was taken and the motion passed with 5 yes votes, and 3 no votes.

Ivy Bailey	yes	Jeff Hoffman	yes
Michael Flanagan	no	Steven Jagusch	no
William Lawson	no	Richard Montcalm	yes
John Olekszyk	yes	Diana Osborn	yes

Proposal for Decision--Docket 2007-1414-PSRS

The Board considered the case materials. Richard Montcalm moved, Ivy Bailey supported, that the Board reject the recommendation of the Presiding Officer in the November 27, 2007 PFD, including the proposed Findings of Fact and Conclusions of Law, and deny Petitioner's request for non-duty disability retirement benefits as moot, using the form of the decision and order offered by Respondent. The motion carried with William Lawson voting no.

Proposal for Decision--Docket 2007-AH042

The Board considered the case materials. Ivy Bailey moved, John Olekszyk supported, that the Board adopt as its own the recommendation of the Presiding Officer in the November 23, 2007 PFD, including the proposed Findings of Fact and Conclusions of Law except for the changes requested by Respondent, and deny Petitioner's request for non-duty disability retirement benefits, using the form of the decision and order offered by Respondent. The motion carried unanimously.

Proposal for Decision–Docket 2007-AH047

The Board considered the case materials. Richard Montcalm moved, Ivy Bailey supported, that the Board adopt as its own the recommendation of the Presiding Officer in the October 20, 2007 PFD, including the proposed Findings of Fact and Conclusions of Law except for the changes requested by Respondent, and deny Petitioner's request for duty disability retirement benefits, using the form of the decision and order offered by Respondent. The motion carried unanimously.

Proposal for Decision–Docket 2007-AH053

The Board considered the case materials. Richard Montcalm moved, Ivy Bailey supported, that the Board adopt as its own the recommendation of the Presiding Officer in the October 31, 2007 PFD, including the proposed Findings of Fact and Conclusions of Law, and deny Petitioner's request for non-duty disability retirement benefits. The motion carried unanimously.

New Business

Settlement Agreement

The Board considered the case materials. Ivy Bailey moved, Steven Jagusch supported to approve the settlement agreement for the Michigan Public School Employees' Retirement System and authorize Phillip Stoddard to execute the agreement on behalf of the System. The motion carried with John Olekszyk abstaining.

Standing Reports – Committee Reports

Legislative Report

Richard Montcalm reported that the Legislative Committee did not meet prior to the Board meeting but asked Phil Stoddard to comment on the Governor's State of the State reference to investing up to \$300 million in Michigan-based investments.

Mr. Stoddard noted that the Department of Treasury currently invests the entire \$61 billion portfolio of the four retirement systems in a manner that brings the funds reasonable risks adjusted rates of return. In the alternative

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investments/private equity area currently about \$9.1 billion is invested in about 250 partnerships with about 90 different partners. The investments range in size from \$25 million to nearly \$1 billion depending on the size and the number of the funds invested with each partner. Over \$500 million of this is currently invested with private equity firms doing business and making investments in Michigan. The Governor's proposal would build on this and the investment criteria would be the same as other private investment equity decisions. The State Treasurer remains the sole fiduciary of the pension funds and will continue to exercise the same prudent judgment that brought the pension funds a 17.2% return for fiscal year 2007.

Board Comments

Michael Flanagan commented on the issue of superintendent compensation, that often school boards along with superintendents determine the content of a superintendent's contract. If superintendents had a clear understanding of exactly what can be considered compensation in determining final average compensation and what cannot, this could be conveyed to the school board and contracts could be drafted accordingly.

Jeff Hoffman requested clarification on an issue of compensation as it relates to member contributions. Phil Stoddard stated that whenever there is a determination that some compensation is not reportable, there is no contribution required on that money and if any contribution has been collected it is returned.

Jeff Hoffman asked whether Mr. Stoddard's statement on the Governor's investment proposal was for informational purposes or if he was looking for Board action or comment. Mr. Stoddard indicated that his comments were for informational purposes and reminded the Board that the Chief Investment Officer of the Department of Treasury will be reporting to the Board in the next few months and additional questions could be addressed at that time.

Richard Montcalm commented that recently he had discussed with folks from both the Michigan Association of School Administrators and the Michigan Association of School Business Officials the possibility of drafting a document to be shared with school boards and administrators that clarifies exactly what is considered compensation. Mr. Stoddard said that staff from the Office of Retirement Services would be glad to meet.

Public Comments

Comments were received from Ernest Dear, David Martell, and Brad Biladeau.

Adjournment

Michael Flanagan moved, Richard Montcalm supported, to adjourn the meeting at 11:33 a.m. The motion carried unanimously.

OFFICIAL MINUTES


Chair


Executive Secretary