

MINUTES OF THE RETIREMENT BOARD
Thursday, May 17, 2018

A meeting of the Retirement Board was held on Thursday, May 17, 2018 at 8:30 a.m., in the Administration Building, 9th Floor Committee Room, located at 1 South Main Street, Mount Clemens, Michigan. The following members were present:

Present:

Mark Deldin, Bryan Santo, Gary Cutler, Carol Grant, Matthew Murphy, Larry Rocca, Bob Smith, George Brumbaugh

Excused:

Tom Michaud

Also Present:

Stephanie Dobson, Stephen Smigiel, Joe Biondo, Larry Lee, Mike Holycross, Kevin Laake

1. Call to Order

There being a quorum of the Board present, the meeting was called to order at 8:31 a.m. by Chair Deldin.

2. Adoption of Agenda

A motion was made by Trustee Murphy, supported by Trustee Smith to adopt the agenda as presented. The motion carried.

3. Approval of Minutes

a. May 3, 2018

A motion was made by Trustee Cutler, supported by Vice-Chair Santo to approve the minutes of May 3, 2018 as presented. The motion carried.

4. Approval of Invoices

Chair Deldin advised the Board that he had been presented with one additional invoice this morning that also requires approval for payment. This invoice is for payment of disability review services to MMRO for the examinations of McFadden and Kellie (\$610.00).

A motion was made by Trustee Cutler, supported by Trustee Smith to approve the invoices as presented with the additional one brought forward by Chair Deldin. The motion carried.

5. Public Participation

None

6. Retirement Administrator Report

Ms. Dobson provided the Activity Report for the month of April. She reported that she and her staff are continuing to work on the implementation of the online portal. They are also still working with Martha T. Berry (MTB) on a daily basis to resolve the data issues they are having.

Chair Deldin inquired if there was a target date for the online portal. Ms. Dobson responded that she hopes to have it up and available to members by the end of June. There is a meeting scheduled for the beginning of June to look at any pending issues. Chair Deldin remarked that he imagines the implementation of that tool should help relieve some of the burden placed on Ms. Dobson's office for routine calculation requests. She is anticipating a period of questions and confusion at the beginning, but does believe it will ultimately be helpful once the members are familiar with how to use it. She feels it is a very simple, user-friendly system and will be available at all hours. Ms. Dobson also believes that the addition of the DROP calculator will be incredibly beneficial to those who participate in that program.

A motion was made by Trustee Smith, supported by Trustee Murphy to receive and file the Retirement Administrator Report. The motion carried.

7. Disability Retirements

The Board was in receipt of the Medical Director's confidential medical reports regarding the re-examinations of Mark Wyzlic, Siobhan O'Brien, Frank Delise, Christine Rutledge-Dudek and Steven Marschke. The Medical Director has concluded, based on the re-exams, that their disability retirements should be continued.

A motion was made by Trustee Cutler, supported by Trustee Murphy that based on the Medical Director's opinion, the disability retirements of Mark Wyzlic, Siobhan O'Brien, Frank Delise, Christine Rutledge-Dudek and Steven Marschke shall all be continued and the following resolutions shall be adopted:

a. Mark Wyzlic – Re-examination Opinion

WHEREAS, the Retirement Board is vested with the general administration, management and operation of the Macomb County Employees' Retirement System ("Retirement System") and has fiduciary responsibilities relative to the proper administration of the pension trust fund, and

WHEREAS, Mark Wyzlic was granted a disability retirement on May 9, 2014, after a finding by the Retirement Board that the requirements of the Retirement System had been met, and

WHEREAS, in accordance with Section 32 of the Retirement Ordinance, at least once each year during the first five (5) years following retirement of a member with a disability pension and at least once every three (3) year period thereafter, the Retirement Board requires a disability retiree to undergo a medical examination directed by the Retirement Board's Medical Director, and

WHEREAS, the Retirement Board directed the Human Resources and Labor Relations (HRLR) Department to contact the Medical Director to schedule an appointment for Mark Wyzlic to be re-examined and to advise the Medical Director of their responsibilities, and

WHEREAS, the Retirement Board is in receipt of a certification from the Medical Director, dated April 27, 2018, which states that Mark Wyzlic is totally and permanently incapable of resuming employment with the County in the same or similar job classification in which said individual was employed at the time of disability, and

WHEREAS, the Retirement Board has discussed this matter and has determined that Mark Wyzlic has met the eligibility requirements for a continual disability retirement from the Retirement System, therefore be it

RESOLVED, that the Retirement Board hereby approves the continual disability retirement of Mark Wyzlic and directs that benefits be paid consistent with the Retirement System's provisions, and further

RESOLVED, that a copy of this resolution shall be provided to Mark Wyzlic and all other appropriate parties.

b. Siobhan O'Brien – Re-examination Opinion

WHEREAS, the Retirement Board is vested with the general administration, management and operation of the Macomb County Employees' Retirement System ("Retirement System") and has fiduciary responsibilities relative to the proper administration of the pension trust fund, and

WHEREAS, Siobhan O'Brien was granted a disability retirement on May 23, 2016, after a finding by the Retirement Board that the requirements of the Retirement System had been met, and

WHEREAS, in accordance with Section 32 of the Retirement Ordinance, at least once each year during the first five (5) years following retirement of a member with a disability pension and at least once every three (3) year period thereafter, the Retirement Board requires a disability retiree to undergo a medical examination directed by the Retirement Board's Medical Director, and

WHEREAS, the Retirement Board directed the Human Resources and Labor Relations (HRLR) Department to contact the Medical Director to schedule an appointment for Siobhan O'Brien to be re-examined and to advise the Medical Director of their responsibilities, and

WHEREAS, the Retirement Board is in receipt of a certification from the Medical Director, dated May 4, 2018, which states that Siobhan O'Brien is totally and permanently incapable of resuming employment with the County in the same or similar job classification in which said individual was employed at the time of disability, and

WHEREAS, the Retirement Board has discussed this matter and has determined that Siobhan O'Brien has met the eligibility requirements for a continual disability retirement from the Retirement System, therefore be it

RESOLVED, that the Retirement Board hereby approves the continual disability retirement of Siobhan O'Brien and directs that benefits be paid consistent with the Retirement System's provisions, and further

RESOLVED, that a copy of this resolution shall be provided to Siobhan O'Brien and all other appropriate parties.

c. Frank Delise – Re-examination Opinion

WHEREAS, the Retirement Board is vested with the general administration, management and operation of the Macomb County Employees' Retirement System ("Retirement System") and has fiduciary responsibilities relative to the proper administration of the pension trust fund, and

WHEREAS, Frank Delise was granted a disability retirement on May 20, 2016, after a finding by the Retirement Board that the requirements of the Retirement System had been met, and

WHEREAS, in accordance with Section 32 of the Retirement Ordinance, at least once each year during the first five (5) years following retirement of a member with a disability pension and at least once every three (3) year period thereafter, the Retirement Board requires a disability retiree to undergo a medical examination directed by the Retirement Board's Medical Director, and

WHEREAS, the Retirement Board directed the Human Resources and Labor Relations (HRLR) Department to contact the Medical Director to schedule an appointment for Frank Delise to be re-examined and to advise the Medical Director of their responsibilities, and

WHEREAS, the Retirement Board is in receipt of a certification from the Medical Director, dated May 3, 2018, which states that Frank Delise is totally and permanently incapable of resuming employment with the County in the same or similar job classification in which said individual was employed at the time of disability, and

WHEREAS, the Retirement Board has discussed this matter and has determined that Frank Delise has met the eligibility requirements for a continual disability retirement from the Retirement System, therefore be it

RESOLVED, that the Retirement Board hereby approves the continual disability retirement of Frank Delise and directs that benefits be paid consistent with the Retirement System's provisions, and further

RESOLVED, that a copy of this resolution shall be provided to Frank Delise and all other appropriate parties.

d. Christine Rutledge-Dudek – Re-examination Opinion

WHEREAS, the Retirement Board is vested with the general administration, management and operation of the Macomb County Employees' Retirement System ("Retirement System") and has fiduciary responsibilities relative to the proper administration of the pension trust fund, and

WHEREAS, Christine Rutledge-Dudek was granted a disability retirement on May 10, 2016, after a finding by the Retirement Board that the requirements of the Retirement System had been met, and

WHEREAS, in accordance with Section 32 of the Retirement Ordinance, at least once each year during the first five (5) years following retirement of a member with a disability pension and at least once every three (3) year period thereafter, the Retirement Board requires a disability retiree to undergo a medical examination directed by the Retirement Board's Medical Director, and

WHEREAS, the Retirement Board directed the Human Resources and Labor Relations (HRLR) Department to contact the Medical Director to schedule an appointment for Christine Rutledge-Dudek to be re-examined and to advise the Medical Director of their responsibilities, and

WHEREAS, the Retirement Board is in receipt of a certification from the Medical Director dated May 3, 2018, which states that Christine Rutledge-Dudek is totally and permanently incapable of resuming employment with the County in the same or similar job classification in which said individual was employed at the time of disability, and

WHEREAS, the Retirement Board has discussed this matter and has determined that Christine Rutledge-Dudek has met the eligibility requirements for a continual disability retirement from the Retirement System, therefore be it

RESOLVED, that the Retirement Board hereby approves the continual disability retirement of Christine Rutledge-Dudek and directs that benefits be paid consistent with the Retirement System's provisions, and further

RESOLVED, that a copy of this resolution shall be provided to Christine Rutledge-Dudek and all other appropriate parties.

e. Steven Marschke – Re-examination Opinion

WHEREAS, the Retirement Board is vested with the general administration, management and operation of the Macomb County Employees' Retirement System ("Retirement System") and has fiduciary responsibilities relative to the proper administration of the pension trust fund, and

WHEREAS, Steven Marschke was granted a disability retirement on May 11, 2017, after a finding by the Retirement Board that the requirements of the Retirement System had been met, and

WHEREAS, in accordance with Section 32 of the Retirement Ordinance, at least once each year during the first five (5) years following retirement of a member with a disability pension and at least once every three (3) year period thereafter, the Retirement Board requires a disability retiree to undergo a medical examination directed by the Retirement Board's Medical Director, and

WHEREAS, the Retirement Board directed the Human Resources and Labor Relations (HRLR) Department to contact the Medical Director to schedule an appointment for Steven Marschke to be re-examined and to advise the Medical Director of their responsibilities, and

WHEREAS, the Retirement Board is in receipt of a certification from the Medical Director, dated May 7, 2018, which states that Steven Marschke is totally and permanently incapable of resuming employment with the County in the same or similar job classification in which said individual was employed at the time of disability, and

WHEREAS, the Retirement Board has discussed this matter and has determined that Steven Marschke has met the eligibility requirements for a continual disability retirement from the Retirement System, therefore be it

RESOLVED, that the Retirement Board hereby approves the continual disability retirement of Steven Marschke and directs that benefits be paid consistent with the Retirement System's provisions, and further

RESOLVED, that a copy of this resolution shall be provided to Steven Marschke and all other appropriate parties.

The motion carried.

f. Matthew Pintar – Initial Application

A motion was made by Trustee Cutler, supported by Vice-Chair Santo to adopt the following resolution to process the disability retirement application of Matthew Pintar and direct Human Resources to order an independent medical examination.

WHEREAS, the Retirement Board is vested with the general administration, management and operation of the Macomb County Employees' Retirement System ("Retirement System") and has fiduciary responsibilities relative to the proper administration of the pension trust fund, and

WHEREAS, the Retirement Board is in receipt of an application dated April 30, 2018 from Matthew Pintar requesting a non-duty disability retirement; and

WHEREAS, Section 28 of the Retirement System Ordinance provides that upon the application of a member, or the member's Department Head, a member who (1) is in the employ of the County, (2) is vested**, and (3) has become or becomes totally and permanently incapacitated for duty in the employ of the County, may be retired by the Board provided that after a medical examination of the member made by or under the direction of the Medical Director, the Medical Director certifies to the Board (1) that the member is mentally or physically totally incapacitated for duty in the employ of the County, (2) that such incapacity will probably be permanent, and (3) that the member should be retired, therefore be it

RESOLVED, the Retirement Board acknowledges receipt of said application and directs the processing of said application in accordance with the Retirement System provisions, and further

RESOLVED, the Retirement Board directs the Human Resources and Labor Relations (HRLR) Department to contact the Medical Director to schedule an appointment from Matthew Pintar to be examined and to advise the Medical Director of their responsibilities, and further

RESOLVED, the Retirement Board requests that all medical and/or other information be forwarded to the Medical Director in support of the application, and further

RESOLVED, the Medical Director fulfills their duties and reports to the Retirement Board their findings and certifications, and further

RESOLVED, that copies of this resolution and the Board's disability retirement procedures be forwarded to Matthew Pintar, the Medical Director and all other appropriate parties.

**Any member who is not vested shall be considered vested for the exclusive purpose only of qualifying for disability retirement as provided in Section 28 provided that, (1) the Board finds the member is totally and permanently incapacitated for duty as the natural and proximate result of a personal injury or disease arising out of and in the course of the member's

actual performance of duty in the service of the County, and (2) the member is in the receipt of workers' compensation on account of the member's physical or mental incapacity (Section 29 of the Retirement Ordinance).

The motion carried.

8. EARNEST Partners Update

Mr. Patmon Malcom and Mr. Pavel Sokolov joined the meeting to provide the Board with an update on the EARNEST Partners portfolio. Mr. Malcom commented that the last 12 months have been very interesting in the capital markets.

Over the last year, performance was up 19.51% (net of fees). Mr. Malcom reviewed the portfolio breakdown by sector allocation. Financials is one of the largest sectors in the benchmark and there is a relative overweight to that sector in the portfolio. Mr. Sokolov chose two names within the financial sector of the portfolio to discuss in bit more detail.

Mr. Malcom also stated that he is aware there has been a lot of concern and talk about trade and tariffs recently. Given that the Board's portfolio has investments in China and other places around the world, he would tell them that although there has been a lot of media attention, the media has a lot of incentive to make the issue bigger than what it is. There are some concerns depending on the industry, but when you step back and look at what's happening from a political standpoint, it's not as significant as it's being made out to be. EARNEST is not making changes to the portfolio.

Trustee Cutler asked for some more information about the EARNEST Partners China Fund. Mr. Malcom explained that if you look at emerging markets, the largest by far is China. Most of the world that wants to invest in a Chinese security must go through the Hong Kong exchange. EARNEST Partners was granted a license that allows them to invest on the Shenzhen and Shanghai exchanges. Only about 240-250 of those licenses have been issued by the Chinese government. EARNEST has created a vehicle (the EARNEST Partners China Fund) that allows investors like Macomb County access to securities they would otherwise not have access to.

Trustee Cutler asked what the breakdown is percentage-wise between emerging markets and developed markets within the portfolio. Mr. Malcom noted that the benchmark is about 25% emerging markets and EARNEST is about 30% (roughly 5% overweight). Trustee Cutler asked about what kind of overlap there is between the Board's portfolio and the names in EARNEST's emerging market product. Mr. Malcom responded that all of the names that they own are in their emerging market portfolio (roughly 50).

A motion was made by Trustee Murphy, supported by Vice-Chair Santo to receive and file the EARNEST Partners Update. The motion carried.

9. US Large Cap Value Manager Interviews

Mr. Holycross introduced Mr. Kevin Laake from AndCo who is joining the meeting for the interviews today. Mr. Laake heads the research efforts for AndCo on the Large Cap Value side. He examines each portfolio and narrows down the candidates to a manageable number. AndCo has prepared an interview book for the Board that includes some basic questions, a section for notes and some more qualitative and quantitative information on each of the three firms being interviewed today. There are presentation books that have been submitted by each of the managers as well.

Trustee Cutler expressed some concern that Lyrical appears to be more of a Mid Cap manager than Large Cap. He wondered if \$10,000,000 was the threshold that was used to determine if a manager was Large Cap. Mr. Laake noted that Lyrical was meant to be more of a complement to a core manager and because of their multi-cap orientation AndCo is comfortable with their clients considering them for all cap mandates.

a. Aristotle Capital Management – Will Averill, Jim Henderson, Keri Hepburn

Ms. Hepburn thanked the Board for the opportunity to interview for the Large Cap Value Manager opening. She introduced herself and the other members of the firm that are accompanying her today.

Mr. Averill began the interview with an overview of their firm. Aristotle is 100% employee owned and was founded eight years ago. They take a long-term view in everything they do (looking out three to five years on every investment they make) and they think the portfolio and the way they invest matches well with the priorities of the retirement system. Aristotle is research driven and their portfolio has 35-45 investments. They have a very diverse client base and they are very committed to the state of Michigan and are also a member of MAPERS.

Mr. Henderson provided the background of their team philosophy and investment process. He also gave some details about their investment team and their means for vetting new ideas. He discussed an example of a company they found through their competitive analysis that fit the three factors they look for when reviewing a potential new investment. Those factors are (1) high quality, (2) attractive valuation, and (3) compelling catalysts. All three of these factors are equally important and all three criteria must be met in order for any investment to be added to the portfolio. Mr. Henderson also discussed the construction of the portfolio (generally 35-45 names with a maximum position size of six percent). Their primary benchmark is the Russell 1000 Value, but they will use the S&P 500 benchmark to ensure the portfolio is diverse.

Mr. Henderson also discussed Aristotle's sell disciplines. They monitor all of the companies they own and compare them against their peers. In the event they have an investment that has underperformed by 15% or more over a trailing 12 month period, that investment will be taken away from the analyst who has been covering it. It is given to another member of the team, so that another person has the opportunity to generate a report with a recommendation as to whether or not that position needs to be liquidated.

Mr. Averill talked about the characteristics of the portfolio including the top 10 holdings. The portfolio has an annual turnover of 15%. The investment team looks at roughly 8-12 ideas a year.

Trustee Murphy asked who has the power to make the decisions and who ultimately determines whether to buy or sell. Mr. Averill said there are two lead portfolio managers on this strategy (Mr. Howard Gleicher and Mr. Gregory Padilla). They are the ultimate decision makers, but there is a long process that is gone through by the entire team before an idea reaches the point of a decision.

Mr. Averill reviewed performance of the portfolio. They have been able to consistently provide 200-300 basis points (net of fees) above the benchmark. He also discussed what the Board could expect from them as a manager should they choose to move forward. He directed them to several pages in the presentation book that detailed rolling three year and five year returns. Over all 172 periods, the portfolio has outperformed the benchmark 87% of the time with an average excess return over 3.5%.

Also of note to the Board, according to Mr. Averill, is that Aristotle shines in times of volatility. Consistency is the one word he would leave with the Board to describe their strategy.

Trustee Cutler asked if Aristotle has any “sector avoidance”. Mr. Averill responded that they have no hard and fast rule about sector avoidance. They do have rules about “company avoidance,” however within certain sectors. Any investment in any business has to qualify for those three characteristics that they look for (quality, valuation and compelling catalyst). All three are important to how they evaluate businesses.

Ms. Hepburn directed the Board to one last page in the presentation book that covers their proposed fee schedule. She thanked the Board for the opportunity to present and hopes they have a chance to work together in the future.

b. Lyrical Asset Management – Andrew Wellington, Godfrey Gill

Mr. Gill began the discussion with an introduction and provided some background on their firm. Lyrical was started in 2008, employs 28 people and they have grown to \$9 billion in assets under management (AUM). They have many different types of clients (public, pension, endowments, foundations, etc.). Lyrical has a 33 stock portfolio and a back-to-basics investment approach. They will review the process they use to select those 33 stocks.

Mr. Wellington picked up the discussion and described their portfolio. It has 33 stocks and they pick those 33 stocks from a universe that is the 1,000 largest US stocks. They choose them on a pure bottom-up basis, meaning they sift through those 1,000 stocks and try to pick out the best 33 stocks they can. Those stocks must meet three criteria to be considered for their portfolio: (1) value, (2) quality and (3) analyzability. Those are the three words he would use to describe their firm. They started their firm with one goal and that was to generate the highest possible returns they possibly could and value is the fuel for their returns. Mr. Wellington gave an example of the last stock that they just added to the portfolio.

He also discussed portfolio construction. They have a concentrated portfolio, but try to ensure that it is still diverse. Ideally, they would like to have 33 stocks from 33 different industries, but that’s not quite possible. They have a hard rule against more than three companies that do the same thing. Lyrical also has low turnover. They are true long term investors and their average turnover is four stocks in a year. This means they have an average holding period of seven to eight years.

Mr. Wellington directed the Board’s attention to the page in their presentation book that lists all 33 of the stocks in the portfolio currently. He is happy to discuss any of them that the Board may have an interest in. They do not have specific rules when it comes to sector, other than they don’t want any one piece of the pie to become overly large. He also discussed Lyrical’s “active share” which is 97%. That means that almost every stock they own is in the Russell 1000, but they have very different weights compared to the benchmark. When they calculate the overlap between their portfolio and their benchmark there is only 3% overlap. This makes them a very good complement to anyone owning a large portion of the stocks in the Russell 1000. Lyrical brings a unique mix of stocks and exposure to anyone’s portfolio.

Mr. Wellington also reviewed some of their performance numbers. On a gross basis, they’ve beaten the Russell 1000 Value almost every three year period. Over five years they have outperformed the benchmark. There is a lot of volatility in the short run, but incredible consistency over the long run.

Trustee Murphy asked when a decision needs to be made regarding buying or selling who ultimately makes that decision. Mr. Wellington responded that it is a “team” decision, but since he owns the firm he probably has a little more sway (since he sets the bonuses every year). Ultimately, he does have final say and he thinks investing works better when the buck stops with just one person.

Mr. Gill added that there have been 43 trades since the firm’s inception and most of those trades have actually been because stocks have hit fair value. These have not required a debate and there have really been relatively few instances that required more conversation and a decision.

Trustee Smith asked who the team would be if Lyrical would be chosen as a manager for the Board. Mr. Gill responded that for the most part he would be the Board’s direct contact on a day-to-day basis, but that the entire firm would be assigned in various capacities to provide service. Trustee Smith also added that he appreciates how the conversation today has been conducted on a level that is very easy to understand.

Trustee Cutler asked about sector avoidance. Mr. Wellington responded that through their use of analyzability and quality, there are certain sectors where they can find no stocks that meet their investment criteria. The only sector he would say they explicitly avoid is REITs (which used to be part of Financials) and that is not because they are bad investments. It is because in order to be a successful REIT investor a different set of skills is required than they possess. Real estate is a different kind of analysis and they don’t feel as though they have any kind of advantage there. They explicitly exclude them because they don’t think they can add value for their clients in that area.

Retiree Representative Brumbaugh asked if Lyrical has any other clients in Michigan. Mr. Wellington believes that they do, but Mr. Gill indicated they do not have any other public plans in Michigan. They have some in the region and have provided a list to AndCo as part of the screening process.

Chair Deldin thanked them for being here and Mr. Wellington expressed appreciation for the opportunity to be considered.

c. Seizert Capital Partners – Tom Kenny, Chris Heatley, Andy Jones

Mr. Heatley began the presentation with introductions and some background information on their firm. Seizert was founded in 2000 and they are based in Birmingham, Michigan. They focus solely on domestic stocks and securities. They manage just over \$3 billion in assets and approximately \$1 billion of that is in the Large Cap strategies. Of that, about \$400 million is in the Large Cap Value strategy.

Mr. Kenny continued the presentation and expressed appreciation for the opportunity to meet with the Board today. First, he discussed Seizert’s investment philosophy and process. Their process is built around companies that have strong levels of free cash flow, good management teams, and strong balance sheets. There are three things that they focus on identifying when looking for companies they believe will succeed: (1) quality, (2) valuation and (3) market reaction.

Seizert has a front end scoring system that takes a look at those three factors and they will weight those based on those scores and determine where they should be doing additional research. From there they build a portfolio that consists of 30-45 stocks that have these characteristics and concentrate on the ones they like most and think have the highest margin of safety. Mr. Kenny also talked about a few of the primary drivers of their scoring system.

From there, Mr. Jones explained that they then try to determine the relative margin of safety. They review how well these companies have been able to execute during both good and difficult times. They examine the balance sheet (cash, as well as debt) and determine how consistently they've been able to operate. Mr. Jones and Mr. Kenny go through on a quarterly basis and review management behavior and how well the companies have been executing over time. They focus on the best ideas across all sectors.

Mr. Jones also discussed scenarios where they would be considering selling a stock. He reviewed a snapshot in the presentation book of what the portfolio looked like at the end of the last quarter. They have a slightly higher weight in Technology and Health Care, but are absent in certain sectors.

Trustee Murphy asked about who makes the final decision when it is time to buy or sell. Mr. Heatley responded that the team must agree on portfolio decisions. If there is no consensus, a transaction will not happen. Trustee Murphy also asked what the average retention time is for Seizert's holdings. Mr. Heatley responded that it is around five years. There are some stocks that have been in the portfolio longer and some shorter. Half of their turnover is rotation of capital.

Trustee Cutler inquired about sector avoidance and if there are any areas they stay out of. Mr. Heatley replied that if they can find an idea, they will go there. They simply will not enter names that they feel will put capital at risk.

Mr. Heatley expressed appreciation for the opportunity to interview and hopes that the Board chooses to work with Seizert.

As this concluded the last presentation, Chair Deldin called for a five minute break.

Returning from the break, Mr. Holycross directed the Board members to the book that had been provided by AndCo for today's meeting. He stated that he and Mr. Laake really like the combination of Seizert and Lyrical. He appreciated that both firms sent their Portfolio Managers and feels that it adds something when the decision makers are present. Aristotle did not send someone from the team who actually makes decisions.

Trustee Rocca asked if the Board is choosing one firm or two. Mr. Holycross responded that they are replacing the Loomis Sayles Large Value portfolio which is just over \$100 million for various concerns. The idea is to allocate to two different managers equally. Trustee Smith stated that he liked Lyrical and Trustee Rocca indicated he like Seizert. Trustee Smith and Trustee Grant agreed with Seizert because of their local connection. Trustee Murphy asked how much of an overlap there would be if the Board chose Aristotle and Seizert. Mr. Laake responded that the correlation is a little bit higher between Aristotle and Seizert, but any combination of the three that presented today would work.

Retiree Representative Brumbaugh asked about Lyrical's fees. Mr. Laake responded that they have two options (a flat fee and a performance based fee). Trustee Cutler asked if there is a cap on the performance based fee. Mr. Laake said there is no cap. Mr. Holycross said they could certainly ask about a cap.

Trustee Smith asked the other Board members if anyone had an issue with the recommendation from Mr. Holycross (Seizert and Lyrical). Trustee Murphy said he does not have a major issue and he would certainly defer to the people the Board pays to make these recommendations, but he said he was impressed with Aristotle. He thought they presented well and he liked how they laid out their

investment process as well as that their decision making is handled by a team. He is concerned about one person being the ultimate decision maker and questioned what would happen if something happened that one individual. Mr. Laake responded that although Mr. Wellington is the final decision maker for Lyrical, he does have strong support from the analysts and gets a lot of feedback from the entire team. With Aristotle, most of the work is being done by the team with the portfolio managers, however, if something happened to Mr. Gleicher, AndCo would have to reevaluate. There is a bit of key decision maker risk with both of those candidates.

Retiree Representative Brumbaugh stated that he was impressed with the educational credentials of the team from Lyrical. He does not believe the Board can go wrong with whatever decision they make.

Trustee Cutler said that he likes the Lyrical returns and their presentation did sway him more, but he really has an issue with calling them a Large Cap Value Manager. If they were looking to hire just one manager, he thinks that they shouldn't even be in the discussion. To him, they are a Core Manager and when he looks at their 33 holdings, seven of those holdings are below \$5 billion AUM. It is important to know that if the Board gives Lyrical half of their Large Cap Value portfolio, they are intentionally lowering the weight of their portfolio fairly substantially. Mr. Holycross said that is a potential outcome. Mr. Laake said that Lyrical is definitely multi-cap and he does not disagree with Trustee Cutler, but they are the deepest value manager of the three.

Trustee Murphy asked Mr. Holycross and Mr. Laake if they had run any of the numbers with anything other than a 50-50 split between the two (for example a 60-40 or a 70-30). Mr. Holycross said they just did 50-50. Trustee Murphy said that he likes Seizert for a host of reasons and would lean more towards a two-thirds allocation to them with the other one-third going to Lyrical.

Trustee Rocca asked what the term of the contract is. Mr. Holycross said that the contracts are typically negotiated to be terminated at any time.

Trustee Smith asked Mr. Holycross and Mr. Laake what they think of the split. Mr. Holycross said that he likes the one-third/two-thirds split between Seizert and Lyrical. Lyrical is a better complement to Seizert than Aristotle. He said they can verify the cost structure for both firms.

Based upon the discussion, Trustee Rocca made a motion, supported by Trustee Smith to select Seizert and Lyrical with the one-third (Lyrical), two-thirds (Seizert) split.

Trustee Cutler said that he believes the Board needs to decide what fee structure they want to choose with Lyrical. He likes performance based fees, but he also likes a cap on those performance based fees. Mr. Holycross said that he and Mr. Laake can work with Lyrical on appropriate cost structure and get with Mr. Michaud on the contract. Mr. Laake cautioned that he had a conversation with Lyrical just last week and he believes that they are uncapped and is not sure they would be willing to work with them on that in particular. If that's the case, he'd still be comfortable with the flat fee. Trustee Cutler said what he would like to see is basically a breakeven analysis of what type of performance they need.

An amended motion was made by Trustee Cutler, supported by Trustee Murphy to add that selection of Seizert and Lyrical is pending fee negotiations. The motion carried.

The main motion with the amendment included also carried.

10. Unfinished Business

a. Correction of Errors Overpayments/Underpayments Policy

A motion was made by Trustee Rocca, supported by Vice-Chair Santo to adopt the policy as presented today with the noted changes. The motion carried.

11. New Business

Ms. Dobson reported to the Board that Human Resources and Labor Relations (HRLR) Director, Ms. Karen Bathanti has submitted her resignation to the County. She has accepted a position as Vice Chancellor with Oakland Community College. Ms. Bathanti's last day of employment will be June 27, 2018. The HRLR Director position will be posted today.

Several Board members noted that Ms. Bathanti will be missed. She is considered very professional, level-headed and pleasant to work with. The position will be a tough one to fill.

12. Adjournment

There being no further business before the Board, a motion was made by Trustee Smith, supported by Trustee Rocca to adjourn the meeting at 11:04 a.m. The motion carried.