

MINUTES OF THE RETIREMENT COMMISSION
Thursday, March 3, 2016

A meeting of the Retirement Commission was held on Thursday, March 3, 2016 at 8:30 a.m., at the Macomb County Administration Building, 9th Floor Conference Room, located at 1 South Main Street, Mount Clemens, Michigan. The following members were present:

Present:

Gary Cutler, David Flynn, Bob Hoepfner, Derek Miller, Matthew Murphy, George Brumbaugh

Excused:

Mark Deldin

Also Present:

Stephen Smigiel, John Schapka, Stephanie Dobson, Tom Michaud, Mike Holycross, John Kravitz

1. Call to Order

There being a quorum of the committee present, the meeting was called to order at 8:33 a.m. by Temporary Chair Smigiel.

2. Adoption of Agenda

A motion was made by Trustee Hoepfner to approve the agenda as presented. The motion was supported by Trustee Murphy. The motion carried.

3. Public Participation

None

4. Election of Officers

-- Chair

Temporary Chair Smigiel called for nominations for Chair.

A motion was made by Trustee Cutler, supported by Trustee Hoepfner to nominate David Flynn as Chair. Motion Carried.

There were no other nominations. Nominations were closed.

David Flynn accepted and was unanimously elected Chairman.

-- Vice-Chair

Chair Flynn called for nominations for Vice-Chair.

A motion was made by Trustee Murphy, supported by Trustee Hoepfner to nominate Gary Cutler for Vice-Chair. Motion Carried.

There were no other nominations. Nominations were closed.

Gary Cutler accepted and was unanimously elected Vice-Chair.

5. Approval of Minutes

A motion was made by Vice-Chair Cutler, supported by Trustee Hoepfner to approve the minutes of the January 21, 2016 meeting as presented. The motion carried.

6. Approval of Invoices

A motion was made by Vice-Chair Cutler, supported by Trustee Murphy to approve the invoices as presented. The motion carried.

7. Retirement Administrator Report

Ms. Dobson provided the monthly Activity Report for the Retirement Office. She included the numbers for 2015 and will continue to do so for the next few months so that trending will be visible. January is a very busy month for individuals retiring or going into the DROP program. The GRS system is no longer up and running, so all numbers are being calculated manually by her staff and she commended them for their diligence and hard work.

Bi-weekly conference calls are still being held with Buck representatives and the project is moving forward. There have been some flags raised about how the prior system was implemented originally and this is slowing the process down. Due to delays in obtaining the historical data from GRS, the "go live" date for implementation of the Buck system has been pushed back approximately one month (to sometime in May). Trustee Murphy inquired about whether the employee portal would be available as soon as the Buck system goes live. Ms. Dobson advised that the employee portal will require additional testing and will not be made available to the employees until they are certain the information it provides is accurate (targeting late 2016).

She also reported that the Retirement Ordinance Committee will be meeting again today. The last meeting was very productive, and although the process is slow, progress is being made.

Mr. Brumbaugh made some inquiries about the Retirement Activity report and some suggestions about revisions he would like to see on the report. He would like to see totals for the year and

changes to some of the definitions on the left side of the report. He will work with Ms. Dobson and updates will be provided to the Board as necessary.

A motion was made by Trustee Hoepfner, supported by Vice-Chair Cutler to receive and file the Retirement Administrator Report. The motion carried.

8. Disability Retirements

- Cindy Cooke (Application)**
- Michelle Washburn (Application)**
- Christos Candiliotis (Application)**
- Sheila Sinclair (Application)**

A motion was made by Vice-Chair Cutler, supported by Trustee Murphy to adopt the resolutions to process the disability retirement applications of Cindy Cooke, Michelle Washburn, Christos Candiliotis and Sheila Sinclair and direct Human Resources to order the requisite IMEs for each. The motion carried.

Vice-Chair Cutler stated that he would like to ensure that delays are not encountered on behalf of the employees applying for disability retirement. He noted that one of the applications was received in January and although the Board did not meet in February as originally scheduled, he would like to make sure that the processing of applications is not unnecessarily delayed. Ms. Dobson advised that although her department must wait for official approval by the Board to process the applications, there is additional information being gathered by her office from the moment the application arrives. Once the Board approves the processing of the applications, they are ready to go to the Medical Director for review because her office has already gathered the necessary medical information to accompany the application.

-- Frank Delise (Opinion)

At 9:00 a.m. a motion was made by Trustee Hoepfner to enter into closed session to discuss the Medical Director's opinion related to Mr. Delise's application for disability retirement. The motion was supported by Vice-Chair Cutler. A roll call vote was taken with all members responding affirmatively to enter into closed session. The motion carried.

At 9:14 a.m. a motion was made by Trustee Hoepfner to come out of closed session. The motion was supported by Trustee Murphy. The motion carried.

A motion was made by Trustee Murphy, supported by Trustee Hoepfner to add Mr. Delise's additional medical information to his original application and to request MMRO make a further determination on his request for disability retirement. The motion carried.

Mr. Delise will provide supplemental medical information to Ms. Dobson, so that she may forward it to MMRO for further review pursuant to the Board's direction.

- **Brian Kozlowski (Re-exam Opinion)**
- **Amy Zmick (Re-exam Opinion)**
- **Carrie Hogan (Re-exam Opinion)**
- **Mark Wyzlic (Re-exam Opinion)**

The Board was in receipt of the Medical Director's confidential medical reports regarding the re-examinations of Brian Kozlowski, Amy Zmick, Carrie Hogan and Mark Wyzlic. The Medical Director has concluded, based on the re-exams, that their disability retirements should be continued.

A motion was made by Vice-Chair Cutler, supported by Trustee Hoepfner that based on the Medical Director's opinion, to continue the disability retirements of Brian Kozlowski, Amy Zmick, Carrie Hogan and Mark Wyzlic and adopt the following resolutions:

WHEREAS, the Retirement Commission is vested with the authority and fiduciary responsibility for the administration, management and operation of the Retirement System, and

WHEREAS, Brian Kozlowski was granted a disability retirement on November 14, 2013 after a finding by the Retirement Commission that the requirements of the Retirement System have been met,

WHEREAS, in accordance with Section 32 of the Retirement System, at least once per year during the first five (5) years following the retirement of a member with a disability pension and at least once every three (3) year period thereafter, the Retirement Commission may require a disability retiree to undergo a medical examination by or under the direction of the Board's Medical Director,

WHEREAS, the Board designated Dr. Cheryl Lerchin, M.D. to conduct or direct the re-examination of Brian Kozlowski, and

WHEREAS, the Board is in receipt of a Medical Report from its Medical Director, dated January 13, 2016 which states that Brian Kozlowski is not able and capable 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 Board has discussed this matter, therefore be it

RESOLVED, that the Retirement Commission hereby acknowledges receipt of the Medical Report and Certification of its Medical Director, dated January 13, 2016, and concurs in the findings regarding the re-examination of Brian Kozlowski, and further

RESOLVED, that Brian Kozlowski's disability status shall be continued, and further

RESOLVED, that a copy of this resolution shall be forwarded to Brian Kozlowski and the appropriate County representatives.

and

WHEREAS, the Retirement Commission is vested with the authority and fiduciary responsibility for the administration, management and operation of the Retirement System, and

WHEREAS, Amy Zmick was granted a disability retirement on September 21, 2010 after a finding by the Retirement Commission that the requirements of the Retirement System have been met,

WHEREAS, in accordance with Section 32 of the Retirement System, at least once per year during the first five (5) years following the retirement of a member with a disability pension and at least once every three (3) year period thereafter, the Retirement Commission may require a disability retiree to undergo a medical examination by or under the direction of the Board's Medical Director,

WHEREAS, the Board designated Dr. Thomas Gritzka, M.D. to conduct or direct the re-examination of Amy Zmick, and

WHEREAS, the Board is in receipt of a Medical Report from its Medical Director, dated December 29, 2015 which states that Amy Zmick is not able and capable 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 Board has discussed this matter, therefore be it

RESOLVED, that the Retirement Commission hereby acknowledges receipt of the Medical Report and Certification of its Medical Director, dated December 29, 2015, and concurs in the findings regarding the re-examination of Amy Zmick, and further

RESOLVED, that Amy Zmick's disability status shall be continued, and further

RESOLVED, that a copy of this resolution shall be forwarded to Amy Zmick and the appropriate County representatives.

and

WHEREAS, the Retirement Commission is vested with the authority and fiduciary responsibility for the administration, management and operation of the Retirement System, and

WHEREAS, Carrie Hogan was granted a disability retirement on September 25, 2014 after a finding by the Retirement Commission that the requirements of the Retirement System have been met,

WHEREAS, in accordance with Section 32 of the Retirement System, at least once per year during the first five (5) years following the retirement of a member with a disability pension and at least once every three (3) year period thereafter, the Retirement Commission may require a disability retiree to undergo a medical examination by or under the direction of the Board's Medical Director,

WHEREAS, the Board designated Dr. Mitchell Folbe, M.D. to conduct or direct the re-examination of Carrie Hogan, and

WHEREAS, the Board is in receipt of a Medical Report from its Medical Director, dated December 10, 2015 which states that Carrie Hogan is not able and capable 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 Board has discussed this matter, therefore be it

RESOLVED, that the Retirement Commission hereby acknowledges receipt of the Medical Report and Certification of its Medical Director, dated December 10, 2015, and concurs in the findings regarding the re-examination of Carrie Hogan, and further

RESOLVED, that Carrie Hogan's disability status shall be continued, and further

RESOLVED, that a copy of this resolution shall be forwarded to Carrie Hogan and the appropriate County representatives.

and

WHEREAS, the Retirement Commission is vested with the authority and fiduciary responsibility for the administration, management and operation of the Retirement System, and

WHEREAS, Mark Wyzlic was granted a disability retirement on May 15, 2014 after a finding by the Retirement Commission that the requirements of the Retirement System have been met,

WHEREAS, in accordance with Section 32 of the Retirement System, at least once per year during the first five (5) years following the retirement of a member with a disability pension and at least once every three (3) year period thereafter, the Retirement Commission may require a disability retiree to undergo a medical examination by or under the direction of the Board's Medical Director,

WHEREAS, the Board designated Dr. Gerald Levinson, M.D. to conduct or direct the re-examination of Mark Wyzlic, and

WHEREAS, the Board is in receipt of a Medical Report from its Medical Director, dated January 26, 2016 which states that Mark Wyzlic is not able and capable 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 Board has discussed this matter, therefore be it

RESOLVED, that the Retirement Commission hereby acknowledges receipt of the Medical Report and Certification of its Medical Director, dated January 26, 2016, and concurs in the findings regarding the re-examination of Carrie Hogan, and further

RESOLVED, that Mark Wyzlic's disability status shall be continued, and further

RESOLVED, that a copy of this resolution shall be forwarded to Mark Wyzlic and the appropriate County representatives.

The motion carried.

-- Roy Palazzolo (Permanent Waiver Request)

At 8:48 a.m. a motion was made by Trustee Hoepfner to enter into closed session to discuss the Medical Director's opinion related to a permanent waiver for Mr. Palazzolo. The motion was supported by Trustee Murphy. A roll call vote was taken with all members responding affirmatively to enter into closed session. The motion carried.

At 8:56 a.m. a motion was made by Trustee Hoepfner to come out of closed session. The motion was supported by Trustee Murphy. The motion carried.

The Medical Director has recommended this individual be granted permanent waivers for re-examination. This recommendation is based on their opinion and information that concludes there is little likelihood of improvement in this individual's medical condition. Documentation confirming same was provided to the Board for their review.

A motion was made by Trustee Hoepfner, supported by Trustee Miller to accept the permanent waiver recommendation for Roy Palazzolo. This individual will no longer require disability retirement re-examinations. The motion carried.

9. 2016 Re-examination Resolution

Ms. Dobson provided a draft resolution for the 2016 disability retirement re-examinations.

A motion was made by Vice-Chair Cutler, supported by Trustee Hoepfner to adopt the following resolution and begin scheduling appointments for the two employees listed for disability re-examination:

WHEREAS, the Retirement Commission is vested with the authority and fiduciary responsibility for the administration, management and operation of the Retirement System, and

WHEREAS, in accordance with Section 32 of the Retirement Ordinance, at least once each year during the first five (5) years following the retirement of a member with a disability pension and at least once every three (3) year period thereafter, the Retirement Commission may require a disability retiree to undergo a medical examination by or under the direction of the Retirement Commission's physician, and

WHEREAS, the Retirement Commission has determined that the month of April of each year be the month that medical re-examinations are conducted by the Retirement Commission's Medical Director, and

WHEREAS, it is the policy of the Retirement Commission that all disability retirees be required to undergo annual re-examinations for purposes of determining continued eligibility to receive disability retirement benefits, unless otherwise determined by the Retirement Commission based on reasons that support a disability retiree's exclusion from the re-examination requirement, and

WHEREAS, the Retirement Commission has reviewed the files of all disability retirees to determine what disability retirees must undergo medical re-examination, therefore be it

RESOLVED, the following disability retirees be re-examined pursuant to Retirement System provisions:

Cherie Marker-Gray
Amy Zmick

and further

RESOLVED, that the Retirement Commission's Medical Director is designated to conduct or direct said examinations, and further

RESOLVED, that any member who refuses or fails to submit to said re-examination shall be subject to suspension or termination of disability retirement benefits, and further

RESOLVED, that a copy of this resolution and the appropriate letters be sent to said retirees and said physician consistent with this resolution.

Chair Flynn made a friendly amendment to the motion to change the reference to the "authorized physician" in the third paragraph to "Medical Director". The friendly amendment was accepted without objection. The motion carried.

10. Normal Retirement Age / In-service Distributions

Mr. Michaud provided a memo to the Board addressing proposed amendments to the IRS rules dealing with in-service distributions. There is no action required of the Board at this time, but he invited them to ask any questions they may have.

A motion was made by Trustee Murphy, supported by Trustee Hoepfner to receive and file this memo from Mr. Michaud. The motion carried.

11. Gabriel Roeder Smith (GRS) – 2014 Actuarial Valuation

Mr. Jim Anderson from GRS joined the meeting to present the 2014 Actuarial Valuation. On behalf of GRS he expressed their appreciation for their longstanding relationship with Macomb County and he wished the Board the best moving forward with their new actuary. He proceeded to go through the valuation and highlighted changes from the prior year. He also recommended the Board consider an Experience Study with Buck.

A motion was made by Trustee Hoepfner, supported by Vice-Chair Cutler to receive and file the 2014 Actuarial Valuation from GRS. The motion carried.

With respect to the 69th Annual Actuarial Report presented by Gabriel Roeder Smith, a motion was made by Vice-Chair Cutler, supported by Trustee Murphy to direct the employer to make the computed employer contributions as listed on page A-1 and also to increase the reserve retiree balances listed on page A-3. The motion carried.

12. Cramer Rosenthal McGlynn (CRM) update

Mr. Brian Harvey and Mr. Addison West joined the meeting to provide the Board with an update from Cramer Rosenthal McGlynn (CRM). Mr. West provided some background on their firm. They have a very flat organization with a deep research team that relies upon a collaborative effort across multiple sectors. CRM has a fairly broad definition of value and they consider themselves to be a “change, neglect, value” manager and therefore they can own a broad spectrum of value stocks which gives them a little more flexibility in basically any market.

Mr. Harvey discussed the firm’s performance as well as their investment philosophy and process. He gave some examples of the types of companies they invest in – companies that have been put to the side because historically they have never been great performers, but when the right changes are implemented there is a lot of value that can be unlocked. Their team of 17 investment professionals helps source names and populate the small cap portfolio. They are able to find interesting opportunities that may be overlooked elsewhere.

Mr. Harvey then discussed the firm’s performance in 2015. It was a challenging year, but they were able to protect capital very well. They did have some detractors last year, particularly in the energy industry, but on a relative basis they can underweight energy (only 3% of the

portfolio) and that has helped them to some degree. Mr. West stated that CRM has top down views, but they will not own energy stocks simply to meet a specific weighting of the portfolio. There has to be a specific reason for them to be interested in a stock. CRM has a very concentrated portfolio (currently 59 stocks) and they have a lot of people looking at every single name within the portfolio to ensure it is a worthwhile inclusion.

Vice-Chair Cutler inquired about what Mr. Harvey's sector was before he became lead portfolio manager (PM). Mr. Harvey responded that he was in the Financials sector and Mr. West added that Mr. Harvey's sector is still Financials even though he is a PM. No one on the team stops doing sector research once they become a PM. The job of portfolio manager at CRM is still first and foremost an analyst (80-85% of their time). Vice-Chair Cutler also inquired about when Mike (Caputo) left the firm. Mr. Harvey responded that Mr. Caputo left CRM late last year. Mr. Caputo was co-PM with Mr. Harvey on the portfolio. Vice-Chair Cutler also inquired about the current cash position. Mr. Harvey advised that cash generally runs around 3-5% of the portfolio and that provides some flexibility for them to be able to react to the market.

A motion was made by Trustee Hoepfner, supported by Trustee Miller to receive and file the report from CRM. The motion carried.

13. Dividend Manager Search

Mr. Holycross provided the Board with the results of Graystone's Dividend Manager Search. He summarized the two part search (domestic and global dividends). He believes this is a good opportunity to look at global dividends as part of the portfolio rather than hyper-focusing on just domestic equity dividends.

Graystone screened through the data and the interview candidates on the domestic dividend side are Hamlin Capital, London Company, and Morgan Dempsey. On the global dividend side, the interview candidates are BlackRock and Nuveen NWQ. Chair Flynn inquired about the total they are looking to invest. Mr. Holycross confirmed it is \$65 million total, half in domestic and half in global. Vice-Chair Cutler would prefer to look at the area they are not currently invested in (global) first and then circle back to domestic at a later date.

A motion was made by Vice-Chair Cutler, supported by Trustee Hoepfner to invite BlackRock, Nuveen NWQ and LS Advisors in for interviews as the global dividend manager. The motion carried.

Mr. Holycross will work with the Board Chair and the Board Secretary to schedule an appropriate date for these interviews.

14. Morgan Stanley – 4th Quarter 2015 report

Mr. Holycross provided the Board with another handout titled "Market Commentary" and explained the layout of the Performance Measurement report for Trustee Miller's benefit. He

reiterated the topics discussed at the meeting with Mike Wilson in New York while the Board was attending the EnTrust conference. Mr. Holycross reviewed the market commentary, total fund performance, asset allocation, manager performance and provided a summary of alternative investments as of December 31, 2015.

Trustee Miller inquired about the difference between Global Equities and International Equities and why the Global Equities are overweight by 11%. Mr. Holycross explained that for the last few years the thinking was that stocks were going to outperform bonds and as a result the portfolio has been overweight in this manner for the last number of years.

Vice-Chair Cutler noted that the system's exposure to private equity is relatively low and he would like to make sure that looking at who is raising funds that also has good track records is on the agenda. Mr. Holycross noted that there is more money going to the Blackstone Tac Opps portfolio which is private real estate/private equity/credit and that they expect some money to be called by the Rizvi Traverse Fund III soon.

A motion was made by Vice-Chair Cutler, supported by Trustee Hoepfner to receive and file the 4th Quarter 2015 Performance Report from Morgan Stanley. The motion carried.

Mr. Holycross recommended one change within the portfolio to tactically underweight global fixed income. Graystone feels there will be very little opportunity within global fixed income for the next year and they would rather re-position that back into the U.S. fixed income markets. Vice-Chair Cutler expressed his dislike of putting additional money into the Barclays Aggregate and questioned whether they could expect anything more than a 2% return over the next few years. Mr. Holycross replied that it was unlikely that yields would go higher.

A motion was made by Vice-Chair Cutler, supported by Trustee Murphy to rebalance the fixed income by taking \$16 million from Franklin Templeton (the global fixed income portfolio) and moving \$8 million to Loomis Core Plus and \$8 million to WAM Barclays Aggregate. The motion carried.

15. Other Business

Chair Flynn indicated he met with Mr. Holycross to discuss the current schedule for money manager presentations. He has requested an updated calendar be distributed to the Board members at the next meeting with approximate time frames for the presentations scheduled. He would like the members to have this information well in advance, so they will be better able to identify potential issues if a member needs to be excused from a particular meeting.

Mr. Smigiel provided an update on the status of the Employee Representative Election. He advised the Board that two petitions had been returned by the deadline and that neither of the petitions had enough valid signatures (100 required) to proceed with an election. Both petitions had duplicate signatures as well as members of the DROP program. Chair Flynn informed the Board that he has spoken to Mr. Michaud about this situation and that he had advised the Board

should move forward with a motion to re-post the vacancy to allow for new petitions to be pulled and signatures to be collected once again. Mr. Michaud also recommended specific instructions be given on who can sign the petitions. Mr. Smigiel advised that the instructions are already provided on the petition itself.

Mr. Brumbaugh recalled that when the 100 signature requirement was initiated, the DROP program did not exist and he speculated that likely causes confusion. He also commented that the two candidates (a Judicial Secretary and an Assistant Prosecutor) likely had a hard time collecting signatures due to the nature of their job responsibilities. He suggested reducing the number of signatures required for a petition to be accepted for filing or to not even require signatures at all, as the process seems to be more difficult than it used to be. Mr. Smigiel advised that the current policy requires the lesser of 5% of the membership or 100 signatures. Chair Flynn indicated that both people who filed petitions were close to having the requisite signatures, but that more attention needs to be paid to make sure the people signing the petitions are eligible to do so.

Trustee Murphy inquired whether these two candidates would be able to use the signatures that they had gathered thus far in the next attempt or if they would be required to start from scratch. Mr. Michaud indicated they would need to start all over again. Trustee Miller asked if the candidates could be informed who the individuals were that signed their petitions that were ineligible. Mr. Smigiel advised that the petitions could be returned to the individuals and that the names that were ineligible have been highlighted. He also commented that he is not sure if the gentleman from the Prosecutor's Office is even aware of the issue yet, since it was brought to the Board first. Ms. Schave will contact both individuals and provide them with their petitions showing the duplicate and ineligible names.

A motion was made by Trustee Hoepfner, supported by Trustee Murphy to post the Employee Representative vacancy again for candidates to pull nominating petitions with another 30 days allowed to gather signatures. The motion carried.

Chair Flynn brought up for discussion the issue of Bloomfield Capital. The Board had been looking to allocate another \$10 million to Bloomfield's Fund III. He inquired whether the Board wants to move forward at this time. Trustee Miller inquired about the performance of the Board's investment in Fund II and Mr. Holycross directed the members to the appropriate section/page in the 4th Quarter Performance Report discussed earlier.

Vice-Chair Cutler indicated that back on October 15, 2015 a motion had been made to make this \$10 million investment in Bloomfield Capital III once due diligence by Morgan Stanley had been completed. On December 17, 2015, he said Mr. Holycross provided an update on the due diligence and he said they anticipated completion by the end of February, beginning of March 2016. Since the original motion was made based upon the outcome of the due diligence, Vice-Chair Cutler is looking for where they stand today and if the due diligence has now been completed.

Mr. Holycross indicated that Bloomfield has not gone into the due diligence queue per their own request. Graystone has been urging them to move this along because of the way the motion had been made back in October (contingent on due diligence approval), but for various reasons they have not finalized any of the due diligence requests. The question at this point is, does the Board want to take action and proceed with the investment and let the due diligence process continue along (meaning that the investment would be made before the due diligence has been completed)?

Trustee Miller inquired about whether the due diligence process was handled at the time of the Board's initial investment in Bloomfield's Fund II. Mr. Holycross advised that at that time, the due diligence process was not as extensive and that they now use an outside firm who does operational due diligence on their behalf. This was an internal change at Graystone and they now want all illiquids to go through the exact same operational due diligence process in order to protect their clients and their opinions of those firms. Vice-Chair Cutler asked Mr. Holycross to discuss Intercontinental and the outcome of the operational due diligence they performed on them. The operational due diligence for Intercontinental revealed through a background check that a company finance director was several credits short of obtaining his degree. As a result of this finding, Intercontinental went back through their organization and after making some changes/concessions, they have now passed the operational due diligence.

Trustee Murphy inquired of Mr. Michaud about the legality or ramifications of allowing an investment to proceed without the due diligence to be completed first. Mr. Michaud indicated that there is another level of assurance given to the Board by allowing their Investment Consultant to complete the due diligence. The Board does have the option to make the investment prior to completing that due diligence, but that puts a higher level of responsibility on the individual trustees. He also pointed out that there is value in having the Investment Consultant "on the hook."

Vice-Chair Cutler expressed his opinion that because Bloomfield Capital has a preferred rate of return (in excess of the Board's target) and since they have just decided to put money into the Barclays Aggregate (which will yield no more than 2% return), he believes it would be worth the risk to move forward with the investment in Fund III even though the due diligence has not been completed. He also pointed out that Bloomfield did pass the initial due diligence and while he acknowledged that it was not as thorough as what they would go through at this time, they did pass through the initial reviews.

A motion was made by Vice-Chair Cutler, supported by Chair Flynn to go forward with the \$10 million investment into Bloomfield Capital Fund III without the completion of their due diligence through Morgan Stanley's outside consultant, subject to approval of the legal documents. The motion carried 4-0 as Trustee Hoepfner needed to excuse himself from the meeting prior to this motion being made.

Chair Flynn requested detailed, written monthly updates be provided to the Board to make sure that Bloomfield is on track. Mr. Holycross will convey the Board's expectations to Bloomfield.

Trustee Miller inquired what Bloomfield Capital's responsibility is going forward in terms of following up with due diligence. Mr. Holycross indicated that they have been communicating with Bloomfield since November to get the due diligence process going and that it could be completed within 90 days as long as Bloomfield devotes themselves to the process at this time.

Vice-Chair Cutler then directed the Board's attention to page 10 of the Performance Report from Graystone and noted that Intercontinental has been a high performing manager. He discussed the termination of the investment with Intercontinental as a result of them not passing the prior due diligence by Graystone's outside consultant. As they have now made corrections, passed the due diligence and have since been added to Morgan Stanley's platform, he would like to invite them to come back in before the Board prior to the funds being completely liquidated. Chair Flynn inquired about whether the individual in question (who did not pass the background check during the due diligence process) had been fired. Mr. Holycross responded that he had not, but that he is no longer on the Executive Committee, he is no longer on the Investment Committee, he had to take a leave of absence to finish his degree and he will never have the ability to touch any of the wires or control cash flow. He feels these concessions are pretty serious, especially given that this was an employee who had been there in excess of 20 years. Mr. Holycross will set up the date to have Intercontinental come in.

16. Adjournment

There being no further business before the Board, a motion was made by Trustee Miller, supported by Trustee Murphy to adjourn the meeting at 10:51 a.m. The motion carried.