

**MINUTES OF THE RETIREMENT COMMISSION**  
**Thursday, September 24, 2015**

A meeting of the Retirement Commission was held on Thursday, September 24, 2015 at 8:30 a.m., at the Macomb County Administration Building, 9<sup>th</sup> Floor Conference Room, located at 1 South Main Street, Mount Clemens, Michigan. The following members were present:

Present:

Jerry Moffitt – Chair, Matthew Murphy, Mark Deldin, Dave Flynn, Bob Hoepfner, Gary Cutler

Excused:

Darra Slanec – Vice-Chair, Leonard Reinowski

Also Present:

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

**1. Call to Order**

There being a quorum of the committee present, the meeting was called to order at 8:30 a.m. by Chair Moffitt.

**2. Adoption of Agenda**

As the first interview was not scheduled until 8:45 a.m., Chair Moffitt requested item #7 be moved up in the agenda to #3a.

*A motion was made by Trustee Deldin to adopt the agenda as revised. The motion was supported by Trustee Hoepfner. The motion carried.*

**3. Public Participation**

None

**3a. Permanent Waiver Request**

-- **Elizabeth Carver**

Mr. Michaud requested the Board enter into closed session to discuss the permanent waiver request for re-examination by Ms. Elizabeth Carver.

*At 8:31 a.m. a motion was made by Trustee Hoepfner to enter into closed session to discuss Ms. Carver's request. The motion was supported by Trustee Murphy. A roll call vote was taken with all members responding affirmatively to enter into closed session. Motion carried.*

*At 8:46 a.m. the committee came out of closed session. Trustee Murphy made a motion to accept and approve the request for permanent waiver of re-examination for Ms. Carver. The motion was supported by Trustee Hoepfner. Only Trustee Cutler was opposed. Motion carried.*

#### **4. Graystone Consulting – Small/Mid Cap Equities Candidate Summaries**

Mr. Holycross presented the Board with an interview packet that included a Finalist Performance Comparison and profiles of each of the three candidates. He also provided some common questions for equity interviews related to the organization, their investment process, their portfolio's construction and implementation, as well as performance.

#### **5. Small/Mid Cap Equities Interviews**

Three small/mid cap equities firms were interviewed individually. Chair Moffitt advised each organization of the time restrictions. Each was allowed a 20 minute presentation and 10 minutes for follow-up and questions from the Board.

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8:45 am to 9:15 am	Clarkston Capital Partners, LLC: Kurt Terrien, Jeffrey Hakala, Jeremy Modell
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Mr. Terrien began the presentation with an introduction of their firm and their investment philosophy. They stressed that they buy companies, not stocks and they are highly selective. Their core values for investing include a sound philosophy, discipline, courage, patience and concentration. They also explained their proprietary profitability metric (CRONOA) and offered examples of their performance. Chair Moffitt inquired about the amount of cash they keep on hand and they provided an explanation that is consistent with their overall investment strategy.

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9:15 am to 9:45 am	Cramer Rosenthal McGlynn: Brittain Ezzes, Addison West
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Ms. Ezzes and Mr. West presented information about their organization which included some background information about their firm, their investment philosophy and process, as well as their investment strategy. They have a large team and utilize a collaborative process to make decisions. They also provided an overview of their performance across the last 10 years as well as year-to-date through June 30, 2015.

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9:45 am to 10:15 am	Thompson Siegel & Walmsley: Roger Porter, Tracy Musser
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Ms. Musser introduced the firm and emphasized that they are a very stable, disciplined, consistent organization. Their singular focus is value investing and they have a diverse client base. Their process is disciplined and consistently implemented. She described a "four factor" screening process for investments. This involves the initial research, developing an investment case, making a recommendation and then initiating a position. Once an investment is added to the portfolio it is continuously monitored. Ms. Musser also reviewed the firm's performance and their focus on risk and reward.

At the conclusion of the last presentation, the Board discussed the candidates. The consensus was that Clarkston has a solid philosophy and the cash kept on hand is appealing in this market as there will likely be opportunities forthcoming that they will be able to take advantage of. Trustee Cutler was excused from the meeting during the third presentation and Chair Moffitt read the notes Trustee Cutler left regarding his opinion of the candidates.

*Trustee Flynn made a motion to concur with Graystone's recommendation of Clarkston Capital Partners as the sole small/mid cap equities manager at \$40 million (\$20 million from World Asset S&P 400 and \$20 million from World Asset S&P 600 accounts) with no cash restrictions. Trustee Murphy supported the motion. The motion carried.*

**6. Graystone Consulting – 2<sup>nd</sup> Quarter Performance Report**

Mr. Holycross provided an additional handout with a preliminary performance update through September 21, 2015. The total fund is up 2.5% year-to-date. From a manager standpoint, all of the managers are outperforming the benchmark year-to-date. He reiterated a recommendation Graystone has made previously to move from a passive to an active manager for the large cap dividends. Chair Moffitt requested Mr. Holycross conduct a search for active managers and bring some information to the meeting in November.

Mr. Holycross also made a recommendation to liquidate WHV International as they have made no trades in the last 24 months. There has been no activity of any kind and there has been an overall loss of confidence. He would suggest moving the assets to the WAM International passive portfolio and conducting a search to replace WHV International. Chair Moffitt requested this item be added to the agenda for additional discussion at the next meeting.

*A motion was made by Trustee Hoepfner and supported by Trustee Flynn to receive and file the Graystone Consulting – 2<sup>nd</sup> Quarter Performance report. The motion carried.*

**7. Other Business**

None

**8. Adjournment**

*There being no further business before the Board, a motion was made by Trustee Deldin, supported by Trustee Hoepfner to adjourn the meeting at 10:48 a.m. The motion carried.*