

MINUTES OF THE RETIREMENT BOARD
Thursday, April 30, 2020

A meeting of the Retirement Board was held on Thursday, April 30, 2020 at 8:30 a.m., electronically in accordance with the Open Meetings Act and Executive Order 2020-4 issued by Governor Whitmer in an effort to protect the health and safety of the public. The following members were present remotely via Cisco Webex Events:

Present:

Mark Deldin, Bryan Santo, Gary Cutler, Michael Grix, Harold Haugh, Larry Rocca, George Brumbaugh

Excused:

Matthew Murphy

Also Present:

Stephen Smigiel, Stephanie Dobson, Christina Miller, Andrew McKinnon, Tom Michaud, Mike Holycross

1. Call to Order

There being a quorum of the Board present, the meeting was called to order at 8:32 a.m. by Chair Deldin.

2. Adoption of Agenda

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

3. Approval of Minutes from April 9, 2020

A motion was made by Trustee Haugh, supported by Trustee Rocca to approve the minutes from April 9, 2020 as presented. The motion carried.

4. Approval of Invoices

A motion was made by Trustee Rocca, supported by Trustee Grix to approve the invoices as presented. The motion carried.

5. Public Participation

None

6. Retirement Administrator Report

Ms. Dobson noted that the activity numbers for February are provided in the Board's packets and they are fairly consistent with what has been seen in the past for this time of year. The May pension run was conducted successfully remotely. She advised that she and her staff are still working remotely and while things are moving a bit more slowly, they are still functioning as normal. Calls to the Retirement Services office are still being forwarded to her cell phone.

Ms. Dobson requested that an agenda item to be addressed later in the meeting possibly be postponed so some additional conversations could be had before the Board addresses it. The Compensation Policy is new to the Board and further discussion with the unions may be necessary before there is any need for Board involvement. Mr. Michaud noted that the Board can just make a motion to postpone that item when they reach that part of the agenda.

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

7. Edgewood Management Update – Alan Breed, Gui Costin, Tracy Rogers

Mr. Alan Breed, Mr. Gui Costin and Ms. Tracy Rogers joined the meeting to provide the Board with an update on the Edgewood portfolio. Mr. Breed began by discussing the characteristics of the portfolio and reviewed the types of companies that Edgewood wants to own. He examined performance as of March 31, 2020 and noted that balance sheet strength helped minimize losses. Mr. Breed also reviewed portfolio allocation by the impact of COVID-19. They have been considering the best time to move money from those companies that were “minimally” impacted to those that were “materially” impacted. Edgewood has also been closely examining the long-term impact of COVID-19 on their investments.

Mr. Breed also reviewed changes in capital allocations in the first quarter of 2020 and noted that there had been no trading in the month of April. He also indicated that because they really have no idea how long the current market conditions are going to last, Edgewood is willing to take business risk, but not balance sheet risk. He expressed appreciation to the Board for inviting him to speak at this meeting and thanked them for their continued relationship.

A motion was made by Trustee Rocca, supported by Vice-Chair Santo to receive and file the Edgewood Management Update. The motion carried.

8. Clarkston Capital Partners Update – Kurt Terrien, Jeff Hakala

Mr. Kurt Terrien and Mr. Jeff Hakala joined the meeting to provide an update on the Clarkston Capital Partners portfolio. Mr. Terrien began the conversation by thanking the Board for their patience. Their relationship began about four-and-a-half years ago and he acknowledged there had been some frustration at times with the amount of cash that Clarkston had been holding (occasionally as high as 30%). They have been able to put some of that cash to work recently and now are holding only about \$2 million in cash.

Mr. Hakala continued the conversation by reiterating that they are almost fully invested at this point and they have deployed almost \$10.5 million within the quarter. He discussed the types of business within the portfolio (insurance brokerage, asset management, medical/hazardous waste, beer/food/food service, and change healthcare). He also discussed some examples of specific businesses within those categories.

Mr. Hakala indicated that he is surprised at how much the market is back up already and he is excited about where the portfolio is today. He also discussed an overview of performance and he noted that they have been able to give near growth returns in a heavily value oriented portfolio. Clarkston currently owns 24 companies and they recently invested over \$1 billion in just 12 trading days.

A motion was made by Trustee Cutler, supported by Trustee Grix to receive and file the Clarkston Capital Partners Update. The motion carried.

**9. Buck Global Actuarial/Admin Presentations, Proposed Contract Extension
Troy Jaros, David Driscoll, Rick Hunsicker, Eric Morganstein, Chris Studwell**

Ms. Dobson advised the Board that the representatives from Buck are joining the meeting today to provide information related to the Board's required annual Service Provider review. Actuarial services are being reviewed this year and the Board had indicated they would like to hear from Buck before determining how to proceed with continuing the review.

Mr. Troy Jaros, Mr. David Driscoll, Mr. Rick Hunsicker, Mr. Eric Morganstein and Mr. Chris Studwell joined the meeting to present the materials on behalf of Buck Global. Mr. Jaros began with the review of actuarial services that Buck provides to the Board. He did a brief introduction of the team with him today and what their roles are within the services that Buck provides to the Board. He outlined the services that are provided including the annual actuarial valuation as well as various reports for Mr. Smigiel's and Ms. Dobson's offices. He also discussed the fee structure moving forward (provided that the Board would like to continue to utilize Buck for their actuarial services). Mr. Smigiel confirmed that he has no issues or concerns with the service his office has been receiving from Buck.

Chair Deldin asked Mr. Michaud for his recommendation at this point. Mr. Michaud advised that his recommendation would be to have his office review the proposed contract and put that back on the agenda for approval at the next meeting in May.

Mr. Morganstein continued with the presentation of the co-sourcing system that Buck provides. He introduced his team and the areas that they are responsible for. They maintain and manage the online system that Ms. Dobson and her team (as well as members of the Retirement System) utilize. Mr. Hunsicker discussed Buck's capabilities and their experience in the administration of defined benefit plan services. He also reviewed their business delivery model and some of the additional services that are available. Mr. Hunsicker also provided an overview of the co-sourcing system and noted that they are transitioning to a new platform soon. The new platform will have essentially the same features and functionality, but there will be a new user interface on the employee side. He also reviewed the maintenance fee for the co-sourcing system.

Chair Deldin opened the discussion up for questions. Trustee Cutler inquired whether the contracts for actuarial services and administrative services could be written independent of one another. Mr. Jaros confirmed that it would be possible to put together to separate, individual contracts. Mr. Morganstein agreed, but did note that there is a certain synergy available when the two systems work together and are managed by the same entity. Chair Deldin requested that Buck provide the Board with two separate contracts for their review.

Chair Deldin also asked Ms. Dobson to confirm that once the transition to the new online platform begins, that communication will go out to all employees who may be affected by the changes. He would like to ensure that they are kept in the loop on when the system may be unavailable. She assured that this will be communicated properly and that thorough testing is completed before the system is made available again to ensure that there are no issues with the new platform.

A motion was made by Vice-Chair Santo, supported by Trustee Rocca to receive and file the presentations provided by Buck Global related to actuarial and administrative services. The motion carried.

10. Compensation Policy DRAFT for discussion/adoption

A motion was made by Trustee Rocca, supported by Trustee Grix to postpone discussion of this item until the next Board meeting. The motion carried.

11. AndCo Consulting Market Update and Discussion – Mike Holycross

Mr. Holycross advised that his team is still having continual conversations with all of the Board's managers to keep up to date with what is going on in their individual portfolios. He estimates that overall, the Board's investments are down about 13% year-to-date. He hopes to be able to have the first quarter report available for the next meeting or possibly the meeting after that. Their cash position is very healthy and currently sits at \$24.5 million. There have also been a couple of investments that have returned capital recently (Bloomfield is one). He advised that Alidade made its last capital call this month and he expects calls to still be forthcoming from ValStone and Centerbridge soon.

A motion was made by Trustee Rocca, supported by Trustee Cutler to receive and file the Market Update and Discussion provided by Mr. Holycross. The motion carried.

12. Unfinished Business

None

13. New Business

Trustee Cutler suggested there might be a need in the near future for a special meeting to discuss compensation of furloughed employees. For example, if someone were to opt to be furloughed, how would that affect their years of service and future pension benefits? Chair Deldin indicated that nothing is set in stone with the possible offering of furlough opportunities. There are additional meetings scheduled with County leadership to further discuss this and it will be determined soon whether furloughs will even be an option.

14. Adjournment

There being no further business before the Board, a motion was made by Trustee Rocca, supported by Vice-Chair Santo to adjourn the meeting at 10:22 a.m. The motion carried.