RETIRMENT BOARD MEETING
June 6, 2011

Present:	Commissioner	P.J. Stevens Milan Gjurich
	Controller	Ed Cernic Jr. Kristine Segear Dana Descavish
	Treasurer	Barb Kline
	Peirce Park	Michael Shone
	Thornburg	Dana Dean
	Capital Group	Greg Garrett

Commissioner Gjurich called the meeting to order at 9:30 a.m.

Motion made by Ed Cernic to accept the minutes of the February 21, 2011 meeting. Motion seconded by Barb Kline. Vote unanimous 4-0. Motion carried.

Ameriserv Report – Presented by Mike Geyser – Market Value is $164,835,781.67. As it stands according to our investment policy we are overweight in $1.5 million in Domestic Equities and Global Equities $1.8 million and underweight in CS McKee fixed income by $820,000.00 and ahead by $170,000.00 for FNB Fixed income. Motion made by Ed Cernic to accept the Ameriserv report. Motion seconded by Barb Kline. Vote unanimous 4-0. Motion carried.

Retirement Summary - Ed Cernic presented the retirement summary. Update of retirees, retirement payroll, rollover and withdrawals, and hospitalization. We currently have 890 retirees and our monthly payroll is $700,000.00. In the past, we were able to fund most of that with payroll deductions; the problem now is that our payroll deductions are only at $360,000.00 per month. We constantly have to withdraw from our investment accounts. The upgraded ARC number budgeted $2,100,000.00 for this year; our actual ARC was $2,146,500.00.

Public Comments - None
Announcements - None
Old Business - None

New Business:

Manager Presentations:

Capital Group – Greg Garrett was present on behalf of Capital Group. Capital Group is a 75 year old privately held organization, which allows investing in long term, and does extensive global research since 1931. The company believes in doing there own research by walking the factory floors and looking for long term trends. A unique feature of the organization is how we organize our people. Portfolio assets are divided into smaller, more manageable portions and assigned to individual managers. Also would like to point out the employees at the organization tend to stay long term average of 22 years for portfolio managers and eight (8) years for analysts. The reason to choose global equity is that it exposes you to a bigger universe of opportunity. The specific portfolio has two objectives, which are to provide long-term growth of capital while providing current income. A brief overview of the management team handling your portfolio was provided. Question from Ed Cernic on the gap of service time on the management team and if there is a high turnover. The fund lagged on the rebound of the collapse, did this have to do with the managers. Greg responded that no it does not relate. There is not a high turnover, but there was reorganization in February of 2009 where individuals were moved around. There were also some retirements. Most of the lag was in the 4th quarter of 2010 and it has picked up. Year to date it is ahead. There is not a high turnover, but there was reorganization in February of 2009 where individuals were moved around. There were also some retirements. Capital Group does manage funds the funds in a way to keep expenses down. Total portfolio mix today is 28% invested in U.S. stocks and 67% invested in non-U.S. stocks, relatively low cash position of 3.9% and the total fund size is about $82 billion. The portfolio turnover is 25% which is a little below average and the portfolio has 300 holdings overall. The top ten holdings today represent about 19% of the portfolio and are well diversified in pharmaceutical, telecommunications, technology, telecom, and utilities. The portfolio structured by sector, big underweight in energy and material and overweight in telecom and utilities. Geography diversification is becoming less and less important. Portfolio is more overweight in European companies about 44% and underweight in Japan. Investment results; 2010 was a very difficult year by about 400 basis points, although in 2009 the portfolio did rather well and came out strong in regards to that portion of the recovery. Since 1993, the fund has lagged in 1994, 1998, and in 2010. Michael Shone advised that Capitol Group has beaten the benchmark at least 10 out of the last 11 years and they are the least expensive.

Thornburg – Dana Dean was present on behalf of the Thornburg. Organizational update; firm wide Assets under Management $84 billion as of 4/30/2011. Performance at the one-year mark improved and now is about 344 basis points over index. The portfolio has grown about 4% over a 12 month period and 8% year to date. When the market was down, your portfolio was up. Thornburg can pick a small number of stocks in a concentrated group that will do well and outperform the benchmark. Quantitative Metrics vs MSCI ACWI Index started in 2006 and are just shy of a 5-year period. The alpha is at 6.7 % and the Beta is greater than 1%. As recalled by Ed Cernic when Thornburg came on they immediately went down because the entire market dropped. Michael Shone advised that since then they have more than enough made up because they have a small number of holdings and are going to be more volatile. In the Sector weight vs. benchmark, you will see that we are very active managers and have a broad representation across different sectors in the market. Currently have 45% in large cap, 24% in mid cap and 31% in small cap. Question raised by Ed Cernic was why there is so much in cash. The reason there is so much in cash is to leave the opportunity to buy something and act on it. Ed felt that 9% seemed heavy to have in cash. Dana agreed that is was heavy, but that they wouldn't want to go below 5%. The average to initiate a new position would be 5 to 6%. Ed expressed that he does not want to pay a manager to manage so much cash. Total fund is at $600 million. The trust vehicle that we are in is $27 million. So that would be 9% of $27 million.

Actuary Presentation by Michael Shone. Peirce Park decided on an administrative side to put together booklets for all their clients. This booklet contains many different types of documents such as plan document, contact list, agreements and so on. Moving on to the performance report, the time was right to bring the global equity managers in. In 2008 was the worst down turn in the stock market since 1931 and yet Cambria County has climbed back since then by rebalancing the portfolio. The unemployment rate went up to 9.1. However, more people started looking for work and the way they calculate is by individuals looking for jobs not necessarily individuals unemployed. Currently we are in all black with the exception of one. Two years ago this graph was mostly red. The stock market has done very well and the bond market done just okay. International is down 3% but that number does not include emerging markets. U.S. Small caps have done well. Real Estate at 1 year was at 24% and Fixed income at 5 %. It is important to diversify enough to protect yourself. Past quarter value outperformed growth. Highlights of the performance summary is the total return 4.4% for the quarter and gained over 6.9 million end of March and since then another $4 million he plan ranked in the top 24% nationally. Year to date for the end of March up 7%. The cash flow for the first quarter shows that 1.5 million has been moved to money market account to pay benefits. The total fund for the quarter is 4.4, 1-year return 13.8. Each manager – Vanguard is at 7.1% and they are doing what they should be doing. Valley Forge up 3% for the quarter, lagged in the down market. They are a more defensive manager. Question by Ed Cernic – since inception we gave the 5 million and they are only a 5.8 million now and have been losing since we have had them and we are paying them 50 basis points, are they the right manager for us? Michael advised the market was down 37% in 2008. CIM matched the benchmark for the 1st quarter and down for 1 year, under by 1.5% since inception. They buy the biggest stocks; the question is are we using the right benchmark for them. Should it be Russell or S & P. Biondo lagged since inception quite a bit, but in the 1st quarter was ahead. Clearbridge since inception is up 26.2% to the benchmark of 18.6%. CS Mckee end of 3rd quarter were at 8.7% and at 13.3% for the 3-year return. They have had a dramatic out performance and suggest that money be taken from them. The Global Fund all managers year to date have beaten the benchmark. Fixed income – CS Mckee has been more aggressive than FNB. CS McKee has had a 7.3 return since inception. FNB has lagged since inception 4.8. The fund has made 7%, which is a strong return. Two things that need to be done are rebalancing the portfolio and need cash for the operating plan. The investment policy calls for 2% in cash, should leave 2.5%. Michael Shone suggests that the target cash should be 1% instead of 2% and the international target should be 16%.

Ed Cernic made a motion to take $3.5 million from CS McKee Equities and move 2 million to the cash account and 1.5 million to FNB. Motion seconded by P.J. Stevens. Motion carried. Vote unanimous 4-0.

Introduce Global Total Asset Allocation (GTAA) – which are funds that can invest in almost any asset class in the world, such as U.S./ Non-U.S. Stocks, bonds, Real Estate, Agriculture, Tips and so on. The retirement board would like to hear more information and request managers come in for educational purposes.

The 2011 ARC is $2,146,500.001, which came in low to Michael Shone's projections at the 2010 August Retirement Board Meeting. Michael still advises that the trend is that ARC projections will continue to grow over time.

Ed Cernic made a motion for the board to go into Executive Session at 11:05 a.m. for personnel reasons. Motion seconded by Barb Kline. Motion carried. Vote unanimous 4-0.

The Retirement Board came out of Executive Session at 11:11 a.m.

Motion made to adjourn the meeting by Ed Cernic, seconded by Barb Kline.

Meeting adjourned at 11:12 a.m.

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