RETIRMENT BOARD MEETING
August 29, 2011

Present:	Commissioner	P.J. Stevens Milan Gjurich Sam Valenty
	Controller	Ed Cernic Jr. Kristine Segear Dana Descavish
	Peirce Park	Michael Shone
Absent:	Treasurer	Barbara Kline

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

Motion made by P.J. Stevens to accept the minutes of the February 21, 2011 meeting. Motion seconded by Sam Valenty. Vote unanimous 4-0. Motion carried.

Ameriserv Report – Presented by Mike Geyser – Presented the rebalancing report. Market Value is $152,704,736.17, with the market downturn it has been bouncing around on a regular basis. Past couple of days has been positive. The account is $12.1 million below as of the last meeting June 6, 2011. Based on rebalancing report, approx $5.9 overweight in the fixed income segment of the accounts and almost $82,000 overweight in the real estate sector vs. the rest of the equity sectors that have declined due to the market conditions. Motion made by Sam Valenty to accept the Ameriserv report. Motion seconded by Ed Cernic, Jr. Vote unanimous 4-0. Motion carried.

Public Comments - None
Announcements - None
Old Business - None

Retirement Summary - Ed Cernic presented the retirement summary. Update of retirees, retirement payroll, rollover and withdrawals, and hospitalization since last meeting. We currently have 907 retirees and our monthly payroll is $723, 276.12. Motion made by Sam Valenty to accept the Retirement Summary. Motion seconded by Ed Cernic, Jr. Vote unanimous 4-0. Motion carried.

New Business:

1. Motion made by Ed Cernic, Jr. to ratify the action taken by the Commissioner's Office at the recommendation of the Controller's office on the following August retirees: Theresa Williamson, Lorraine Yackulich, Peter Kosanovich, Angela Smith, Joy Little, Kathy Washic, and Richard Little. Motion seconded by P.J. Stevens. Vote unanimous 4-0. Motion carried.

2. Ron Baker is clarifying some areas of the Smith & Downey report. He is writing a letter to the Department of Labor concerning the two pieces of the FMLA. Other than that everyone is agreeable to the policy including Ron Baker, Human Resources, the Solicitor and John Kuzmiak has reviewed. Smith and Downey who actually works for CBIZ is the one who put this together and is most familiar with leaves of absence and retirement. Ed Cernic recommends to the board that we delay institution of this policy until the end of the year until clarification is received and then plenty of notice is provided to the employees.

3. Manager Presentations:
    a. Managers Biondo and CIM were unable to attend due to the weather conditions imposed by Hurricane Irene in their area.

4. Peirce Park Actuary Presentation: Actuary Presentation by Michael Shone. Education piece, - the accounting industry has put forth some expectations as to what the rules would be as to how you have to treat your pension plan financial statements effective 2014. The net affect of that is right now we report that as a footnote and going forward we would have to put that on a balance sheet and also on the net annual expense. Also, the way we calculate our liabilities will need to change for the financial statement, not for our ARC or our bonds. Currently, the actuary calculates all the future benefit payments and brings them back to today's dollars present value. If you set that the long term assumed rate return, which is 7.5%, which CBIZ uses. But going forward to a degree that the liabilities are not fully funded, which in very few counties they are fully funded, the difference in the unfunded part would be calculated using the Muni Bond Index Rate. This will increase our liability, if we were fully funded there would not be any impact, for cities it will be a huge impact and for counties not fully funded it will have some impact. Again not in what our ARC is going to be but what shows up on the financial statements. Under performance summary, Michael reviewed the economy. In 2009 it was the worst one (1) year return in the stock market since 1931, the worst downturn since the depression. When you have a downturn that great it takes awhile to turn around. Now there is talk of another recession. Second quarter of 2010 was as far as it is down now and what we did was move money from bonds to stocks. The target is 65 and when you went down to 60, you stuck with your discipline and marched back up. The key is to buy low and sell high. Oil prices have come down some. Oil is now is at $85 / barrel. Over the next 3 – 5 years there will be an increase. Review of the market environment 2nd quarter 2011 Domestic Equity Russell 3000 Index, the whole US stock comprised of large, medium and small companies. For the quarter it was flat, for the year to date up 6.4% and for the 1 year it was up 32.4%, year running from July 1 through June 30. The Domestic Fixed Income Barclays Intermediate Government Credit that is the benchmark our bond managers are using. For the quarter up 2.1%, ytd 2.5% and 1 year 3.8%. International/Global Equity MSCI EAFE (net). EAFE is international stocks, does not in emerging markets. EAFE has outperformed quarter by 1.6%, but if you look at the ytd US has outperformed

and developed more than international markets. MSCI Emerging Markets includes Latin America, China, India, Russia and so on, is negative the last quarter and ytd is the worst performer of the three. However, if you look at three years and five years it has been the best. Through Thornburg and GMO you have some exposure in the emerging markets. S&P GSCI Gold has been the big winner. The Performance reports highlights, 3rd quarter, ending in June your fund is up 0.8% gaining over 1.4 million. It has outperformed the policy index year-to-date 5.2% vs. 4.9%. Year to date your Plan ranks top 1/3 of all public defined benefit plans in the Wilshire co-op universe. Over seven years the Fund has outperformed its policy index with lower volatility. Global Equity managers are the cause for the out performance, which are Thornburg Global, American Fund Capital World Growth and Income, and GMO Global Equity Allocation. What has caused underperformance is the Value Tilt and overweight to small cap stocks, which helped a lot the first half of the year. Performance summary for the total fund for the quarter 0.8% ranks 77 % a little below average for the quarter due to some managers for this quarter that have not done as well. Review of managers: Vanguard Value Index Inst'l there job is to buy the index, no more no less, their cost is 7 bps. Compared to the manager before, they were charging almost ten times as much. They have had very steady performance. Valley Forge Asset Management in the down market they do very well and in the good markets they do very poorly. They are a defensive manager. Raymond James/Clearbridge did a fabulous job they are ranked number one. However, for the quarter you will see the opposite they were down 18.2 and their index was down 11.5. Question by Ed Cernic is how can they fluctuate that much? They are a high growth mid cap manager, when things are really good and Biondo is the same way, they doing really well. During the down times they tend to be hit the hardest. CS McKee had a bad quarter, but since inception, which they were hired as small cap, they are up 11% vs. the benchmark of 7.7%. We moved them to Mid Cap some time last year. Year to date they are below the benchmark, longer term still ahead. They are still a good manager to have. Valley Forge has changed their allocation to cash, which was brought up by Ed Cernic at the previous meeting. Don't like to see a manager go more than 5% in cash, they have lowered to 2.25%. CIM is lagging their benchmark, since inception 10.7% vs. 12.4%, so far this quarter they are down 11.8% vs. 11.9%. They pick the biggest stocks, mega companies; possibly they should be using the Russell 200 benchmark. Under the equity tab, they have Exxon and Apple and so on. When reviewing the changes, every month they are making some changes. Clearbridge they are in the top 1% this last quarter, top 11% year to date. They are a high growth mid cap manager. Biondo we have only had for a year, the returns are down 28.8 vs. 35.7 since inception. They are doing the opposite of what they pitched to us and I recommend them be put on a watch list. CS Mckee Smid has had a bad quarter, but they have rallied back some this quarter. We have an unbelievable fee structure with them. They are charging 75% less than the average small cap manager. Vanguard our timing was good with them, they were up 34%, so far this quarter down 9.8%. Have to be very careful not to get too much into real estate because real estate can tumble. On global equities, Thornburg for the year to date, top 1% of all global managers, 5% for the quarter. They have a very concentrated portfolio. GMO is our defensive manager. In 2009 they didn't do as well but in 2011 top 12% for the quarter and top 26% for year to date. They are down 10.4% vs. 13.2%. American Funds is the steady and I will be making a recommendation there. Highland first two quarters market was strong and Highland outperformed. So far this year the market is down and has turned against them. Their pricing is consisted with what a global equity manager should be at. Under fixed income, CS McKee is a tad below the benchmark for the quarter. FNB since inception .5% below the benchmark, this quarter up 1.7% vs. 2.3%. Bond managers should be doing better than the benchmarks. I contacted FNB and they said they made some mistakes, they decided to be more defensive at a time when they should have been more aggressive. Has a solution for FNB to have them do a more structural bond portfolio, a ladder bond approach and they are willing. This will also help with the cash management issue. By doing this, you will have cash flow coming in each quarter. Review of performance that Peirce Park has given Cambria County. Peirce Park over the past 5 years has had significant cost savings, good performance, strong service, and significant manager changes. Presently, Peirce Park has broadened your diversification into U.S. and Global and Fixed Income stayed with investment grade, have not gone into junk bonds and recommendations for the future are add Global Allocation funds, cash flow budgeting matching up assets and liabilities, switch American Funds to International Growth and Income, eliminate real estates and incorporate in Smid Value Manager which will still get you exposure in real estate without overexposure and increase international equities to 16%.   P.J. Stevens recommends we do some research on the recommendations that Michael has provided us before taking any action and Kristine will get with FNB about the ladder approach idea.

Motion made by Ed Cernic, Jr. to go into Executive Session to discuss contract legal issues. Motion seconded by P.J. Stevens. Vote unanimous 4-0. The board went into Executive session at 10:55 a.m. until 11:00 a.m.

Motion made by P.J. Stevens to hire Morrison Association pending a negotiation of contract and details, length of contract not to exceed three years. Motion seconded by Sam Valenty. Vote unanimous 4-0

Motion made to adjourn the meeting by P.J. Stevens, seconded by Sam Valenty. Meeting adjourned at 11:02.