

Retirement Board Meeting
February 13, 2012

Present:	Commissioner	Douglas Lengenfelder Mark Wissinger Tom Chernisky
	Controller	Ed Cernic, Jr. Kristine Segear Dana Descavish
	Treasurer	Lisa Kozorosky

Commissioner Lengenfelder called the meeting to order at 10:05 a.m.

Motion made by Ed Cernic to approve the minutes from the Retirement Board Meeting held on January 26, 2012. Motion seconded by Mark Wissinger. Motion carried. Vote 4-0.

Commissioner Chernisky arrived at 10:07 a.m.

Ameriserv Report – Mike Geiser provided the Portfolio Summary. As of close of business Friday, February 10, 2012 the total market value is \$160,688,547.64 vs. the cost basis of \$148,151,378.77. The portfolio has shown some significant progress over the last several weeks. A question was raised by Commissioner Lengenfelder if this progress is a trend. Mike Geiser responded that the portfolio has advanced significantly since October, prior to that, due to market conditions the portfolio was up and down. The greatest increases seen have been within this month and have continued. Ed Cernic commented that our portfolio is positioned well, all the bases have been covered and we survived very well in the down turn and now will take advantage of it as the market turns up. Commissioner Wissinger questioned the market vs. cost. Mike advised that the cost basis of securities is what you actually pay for and it is adjusted for different conditions. Ed Cernic commented that it enables you to look at each individual manager, the spread and how well they have done since the last report. The report also includes what is disbursed from the CS McKee account to the general disbursement account for the Retirement Fund.

Review of the attached Retirement Summary by Ed Cernic. The report provides a summary since the last Quarterly Board Meeting which lists all the retirees, the retirement payroll for December, January, the approximate for February; the rollovers/withdraws for December, January and February to date. It also lists what is paid from the General Fund for health care costs for the retirees. Currently there are 937 retirees; which is about the same as active employees. Discussion on what the expected retirements are in the future and what the percentage is that we need to make. Our actuary provides the County with the amount of our approximate ARC contribution for the next 5-year period. This years ARC is \$2,250,000. Frank Burnette commented that the actuary assumes that the fund returns 7 ½ % after expenses. We are at the mercy of the S&P 500 index. In the short term we are so dependent on the market but in the long run hopefully we have these averages.

Ed Cernic advised that the Financial Summary for the Retirement Fund would be ready next month for 2011. This is similar to the Financial Summary of the county's funds. The report is a public document and is available to the retirees and employees who have a vested interest. Kris states that it will have a synopsis of the funds market value, the manager's fees for year 2011 and charts.

Old Business:

1. Morrison Fiduciary Advisors – Frank Burnette provided statistical information on the fund. A review of the Performance Summary Performance table for December 31, 2011 and Total Fund information, which covers a six years period of, total return for the Retirement Fund. This same table also provides the same for each manager since their inception date. This report now will show a Rank. This rank shows how our fund did relative to all funds in the Wilshire database. Over the last 6 years the fund has underperformed by ½ percent. Review of the Performance Summary Report for January 31, 2012. January returns are up at 3.7%. Frank provided a report on all investment managers, their benchmark and their allocations. Currently, we are invested at 62%

Equity vs. a target of 60%; 33% fixed vs. a target of 36%; and the Real Estate is on target at 4%. Review of the proposed review schedule, which lists the meeting date and managers that are attending. At any time managers can be brought in and changed.

2. Highland Financial – Gordon Smith spoke about 2011 and how volatile the market was and wanted to comment on performance. As of September 30, which was the low point, we had \$3.3 million with Highland. The balance currently in the portfolio is at \$3.6 million. A background was given on Dimensional Fund Advisors. This fund is a Small Cap fund and targets the smallest 10% of the market universe. The fund targets the factors that generate higher expected returns, which are market and size exposure. What sets DFA apart is that they are not an index funds. They maintain that in a long term they will outperform their index between 1 and 1½%. Not only do they target the smallest of the 10%, they go lower than the 10% and only look at the lowest 8% of the market cap. They also have exclusion rules that help them build purer asset classes. Some of the exclusions rules are Foreign Stocks, ADRs, Investment funds, and REITs. Review of performance history against the Russell 2000 Index – last year they lost money but they beat the index and looking at the 3yr, 5yr, 10yr, and since inception they have always beat the index.
3. Raymond James – Larry Giannone presented the Navellier Large Cap Portfolio. Navellier was founded in 1987 and is independent and employee owned. They have consistency in managers. Navellier uses a dynamic vs. static stock selection process that keeps portfolios on track for superior, sustainable growth. They have the ability to navigate through the various environments, for example in 2008 and last fall. Navellier has the disciplined sell strategy that triggers sale of stocks that fail any step of the process. The stock selection overview is first to develop the initial universe, which is approximately over 700 stocks, then select approximately 100 stocks to pass the risk/reward filter, then they narrow down to 60 stocks that need to pass a 5-factor fundamental filter. The program then builds an optimal portfolio of approximately 40-50 stocks. Their goal as manager of this portfolio is to create a portfolio with the highest returns at the minimal level of risk. Review of the performance from January 1998 to December 31, 2011, Navellier has either outperformed the Russell 1000 Growth index or has been almost identical to the index. This shows the ability of Navellier to show consistency of returns.

New Business:

1. Motion made by Ed Cernic to ratify to action taken by the Commissioner’s Office at the recommendation of the Controller’s Office on the following February retirees: Roger Brown, Brent Forsythe, Robert Shahade, Roxanne Chuk, Deborah Reese, Darcy Regala, and David Regala. Motion seconded by Mark Wissinger. Motion carried. Vote unanimous 5-0.
2. PAPERS Conference – May 23, 24, 2012 at the Hilton in Harrisburg
 - Motion made by Ed Cernic that any of the Board Members that wanted to attend would be permitted to do so, the cost for that would be covered by the Retirement Fund. Commissioner Lengenfelder asked who attended in the past. The Controller and the Treasurer attended regularly in the past. Ed Cernic has been asked to be a moderator; therefore there will be no fees for the Controller. Deadline to register is May 1, 2012. Motion seconded by Tom Chernisky. Motion carried. Vote unanimous 5-0.
3. Corry Capital Advisors coming to present to a few members of the Board today an overview of Life Investments

Motion made to adjourn the meeting by Tom Chernisky, motion seconded by Mark Wissinger. Motion carried. Meeting adjourned at 11:10 a.m.

Ed Cernic, Jr.