Retirement Board Meeting
June 28, 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 Monthly Retirement Board Meeting held on May 14, 2012. Motion seconded by Tom Chernisky. Motion carried. Vote unanimous 5-0.

Morrison Fiduciary Advisors – Frank Burnette –stated one of the jobs and responsibilities as your consultant is to look at the funds asset allocations, make comments and reports and to also initiate changes when the market condition warrants. A huge portion of the overall return the fund generates over a long period of time is going to be a function of this asset allocation decision. We are at a point where the markets are very tenuous in terms of the back drop of Europe. Right now there are significant cut backs in spending and significant increases in taxes and the two of them combined really dampen the economy and create problems for stock market returns. In the midst of all of this the actual stock market itself is doing reasonably well, up for the year within 4 to 5 percent of the highs of the market. With the process of making changes the board has to process any asset allocations and the board only meets monthly. Ideally I would like to be able to make recommendations at any time and have the board sign off on.

Frank is suggesting that we reduce the equity exposure by a moderate amount by approximately $4 million which takes the 3% over weight in equity and to an equal equity weight. I would like to make that change this meeting with some authority to do that over the next thirty (30) days. Question raised by Commissioner Wissinger about cutting the equity exposure would it be moved to fixed income? There are two proposals that would do that.

In general one version would pull money away from large cap growth index fund which is over weighted and then take $1 million from value equity and drop into the fixed income managers as a resting spot, $3 million would go to C.S.Mckee fixed income since they are the fund that is always funding the monthly checks and then $1 million to FNB fixed income. That would then balance out the equity and fixed income. Real Estate would stay the same.

Proposal 2 considers some other factors that are related to the fund. Two managers are on watch, one being Highland Financial, which currently has $3.4 million. They are also one of the funds that have a dual contract and charge a local and marketing fee. Frank advised he can accomplish as described in terms of adjusting the equity mix of the fund to a less risky position, and also terminate Highland and move the money around differently and we would end up with one less money manager and the same asset allocation and address one manager who is on watch status. The reason for bringing them into the mix would be primarily asset allocation. Ed Cernic commented that he feels we have let Highland continue with poor performance hoping it would turn around and have allowed him to go into another category a few months ago because he wasn't' matched to the benchmark correctly and questioned Frank if that was correct. Frank advised he previously was in a set of mutual funds with very high expenses that also charged an override and his fees were twice what other managers were. Doug Lengenfelder commented his fees were 56 bps. We deemed that wasn't untenable and created a new situation where fees were in line with market. Question raised by Ed Cernic to Frank; did we give him adequate amount of time with the new fund to show improvement. Frank reminded that the recommendation today is asset allocation rebalancing. Doug Lengenfelder commented that there are two managers dealing with Russell 2000, which is correct per Frank. Doug stated that one of them performed at 9.9% and the one on watch is at 2.2%, which is way more than two standard deviations off in terms of what is going on. In my eyes he was failing before and was literally directed into something he could have exceeded and he statistically is not where the other managers are, he is at the lowest on the chart. Frank advised that is percentages of the assets not the returns. Ed Cernic referred to the Ameriserv custodial report as of June 26, 2012 Highland is still a negative over $300,000 in his cost vs. what the market of his securities is. Mark Wissinger echoed Ed Cernic's concerns as to did we give him enough time. Lisa Kozorosky commented that Frank had to direct him to take a different route or he would have kept going that way. Doug commented that this isn't about being a buddy to anyone, we have an obligation to the county and to the employees and I am not concerned if we gave him enough time; do we give him time to spend another five months losing another hundred thousand to prove to ourselves that this manager is not performing. Ed Cernic stated that there are fees associated with selling the securities and there is no sense doing that if Frank thinks he is going to re-bound in a couple of months. Mark Wissinger questioned Frank if he feels he is going to re- bound. Frank advised that if this was just a performance decision vs. the benchmark it probably isn't a compelling argument to terminate because his mandate is only a couple months old, so far he is performing up to caliber, but that is just a small piece. This is dual contract; the local part of the contract is simply at the will of the board. There is no reason academic reason to have two people involved in the relationship. The mutual fund is accessible without that relationship. When you add the fees together you are paying more than you need to, simply because the investment policy statement has a paragraph in it to make every effort to use local brokers. The asset allocation of the fund is the biggest decision we need to make at this time and monies need pulled out of equities right now and need to be moved to the fixed and the consultant is making a recommendation to do this. Ed Cernic feels the retirement board has done there due diligence at this meeting and before by asking the questions did we give him enough time, did we allow him to go into a different set of securities to show better performance. Doug Lengenfelder stated that he would not have redirected him and would have fired him back in January. He would not have given him another chance, this is tax payer money this is professional handling of the fund and he does not have any sort of track record that he performs at any of these other levels. Ed Cernic questioned Frank is it his recommendation to divest Highland, reduce mangers by one, reallocate the money to rebalance the portfolio to stay within policy and move on from there, Frank advised yes.

After lengthy discussion about rebalancing and on the recommendation of Frank Burnette to divest Highland, Ed Cernic made a motion to accept proposal two to meet County policy and to allow Frank the flexibility to initiate on his time schedule. Doug Lengenfelder raised the question on timing and wants the rebalancing to be done immediately because he does not want to allow a manager with poor performance to continue.

On the revised motion Ed Cernic motioned to rebalance the retirement account as of proposal two from Frank Burnette and all the moves that are listed and allowing Frank to accomplish the moves anytime from now until the August meeting. Doug Lengenfelder is uncomfortable with the timing. He wanted the moves done immediately. Mark Wissinger seconded the motion. Doug Lengenfelder requested a roll call. Roll Call – Lisa Kozorosky – Yes, Mark Wissinger – Yes, Doug Lengenfelder – No, Tom Chernisky – Yes, and Ed Cernic – Yes. Motion carried. Vote 4-1.

Frank reviewed as our consultant Core Direct Real Estate and High Yield Fixed Income classes of investments. These asset classes on paper are model investments that should produce actuarial returns. Information was provided on two different managers who offer high yield fixed income and core direct real estate for the Board to review. Ed requested Frank provide three high yield fixed income managers and core direct real estate managers to compare their performance over the last five years and then Frank can bring managers in.

Old Business:

1. Update on Mandatory Direct Deposit

    a. Dana Descavish updated the Board on the results of the first mailing in regards to direct deposit. Forty five out of the 158 retirees still receiving a paper check responded with their direct deposit information. Four (4) of those individuals were over age 90. Second mailing will go out in August.

    b. Dana Descavish advised the Board about the progress with updated internet access to Ameriserv to be able to process pre notes in order to eliminate the first time paper check when an employee transitions to a retiree and the ability to process payroll via internet opposed to encrypting the file. Ameriserv is in the process of a major conversion to their online banking in July. In August, the Controller's office will work with Ameriserv to update the internet access.

    c. Policy Adoption – Discussion was held on the lack of action taken by the Commissioner's office to adopt the policy change concerning Medicare Eligibility. No action taken.

New Business:

1. Motion made by Ed Cernic to ratify the action taken by the Commissioner's Office at the recommendation of the Controller's office on the following June retirees: Maryann Garrett, Connie Reed, Steven Grodis, and Roseanna Sebetich. Motion seconded by Lisa Kozorosky. Motion carried. Vote unanimous 5-0.

2. Motion made by Ed Cernic to allow the Chairman or the Vice Chairman of the Retirement Board to sign the warrants to transfer the monies for Retirement payroll, withdrawals, and rollovers. Commission Lengenfelder is in agreement only if there is an actual signature and no stamps used. Motion was seconded by Lisa Kozorosky. Ed Cernic commented the reason for this is the lack of availability of the President Commissioner to sign warrants on a regular basis. Motion carried. Vote unanimous 5-0

3. The agreement between Raymond James and Navailer was not complete when they presented the new product. Normally Raymond James had 15 bps with the previous manager Clearbridge. Ed Cernic had discussions with Larry Gianonne from Raymond James to have a new agreement and to lower the cost. The new agreement is for 5 bps, which is a savings of $10,000.00. Motion made by Ed Cernic to adopt the agreement with Raymond James. Motion seconded by Doug Lengenfelder. Motion carried. Vote unanimous 5-0.

4. Actuary report from CBIZ was previously provided to everyone. The document contains a lot of information on the employees eligible to retire and the fund.

5. Motion made by Ed Cernic to approve the buyback request made by Gary Oleksa in the amount of $10,165.94 to purchase military time of two (2) years, five (5) months and twenty eight (28) days. Motion seconded by Tom Chernisky. Motion carried. Vote unanimous 5-0.

6. Motion made by Ed Cernic to approve the buyback request made by Arlene Farabaugh in the amount of $1,577.41 to purchase previous service time of two (2) years, one (1) month, and eleven (11) days. Motion seconded by Lisa Kozorosky. Motion carried. Vote unanimous 5-0.

7. Discussion of the letter received from Ameriserv and their fees. Ameriserv has been fair to Cambria County and the County is not interested in pursuing any other custodian for the Retirement Fund. Motion made by Ed Cernic for the board to inform Ameriserv that the current fee structure remains in place. Motion seconded by Tom Chernisky. Motion carried. Vote unanimous 5-0.

Motion made to adjourn the meeting by Ed Cernic, motion seconded by Lisa Kozorosky. Motion carried. Meeting adjourned at 11:05 p.m.

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Ed Cernic, Jr.