Retirement Board Meeting
February 4, 2013

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| Present: | Commissioner | Douglas Lengenfelder<br>Thomas Chernisky<br>Mark Wissinger |
| | Controller | Ed Cernic, Jr.<br>Kristine Segear<br>Dana Descavish |
| | Treasurer | Lisa Kozorosky |

Commissioner Lengenfelder called the meeting to order at 10:12 a.m.

Motion made by Tom Chernisky to approve the minutes from the Monthly Retirement Board Meeting held on January 24, 2013. Motion seconded by Ed Cernic. Motion carried. Vote unanimous 4-0.

Review of the Retirement Summary - As of February 4, 2013 there are 973 retirees and five more retirees will be added this month, bringing the total to 978 retirees. January retirement payroll totaled $751,412.92.

The Ameriserv report was provided by Mike Geiser. The total market value is $165,978,956.54. Compared to the last quarterly meeting the market value has increased $10.2 million. The withdrawals totaled $1.5 million; therefore the actual appreciation has been $11.7 million since November 19, 2012. The cash balance is $2,648,734.53. CS McKee is currently holding 4.8% of cash. Valley Forge is currently at 3.9%. All other accounts are within the range. Ed Cernic reiterated his position that he does not like to pay managers to manage cash. CS McKee is the exception to the rule because the account is drawn on for Retirement every month. Valley Forge cash values have been traditionally higher than the others and they are usually waiting for a certain sector in the market to be low to invest.

Morrison Fiduciary Advisors – Frank Burnette advised that last year was a good year and the fund returned 10.28%. The fiscal cliff and the European market ended up being catalysts for upward movements in the market more than catastrophes. For January the fund has returned almost $5 million with a 3% return. This might be one of the years we get a lot of returns upfront. A brief economic summary was provided and reviewed. In the portfolio we have $51 million invested in fixed income securities.

Mark Wissinger arrived to the meeting at 10:28 a.m.

CS McKee and FNB are the fixed income managers and the maturities on both ranges from 0 to 10 years. The normal range can be all the way out to 30 years. Since we shortened the maturities we insulated the fund from rising interest rates. Further study will be done on further shortening the maturity to possibly five (5 ) years or three (3) years, possibly getting into high yield, and/or high yield variable rate loans. Future discussion will be done with the board on becoming more defensive in fixed income in anticipation of interest rising over the next three years.

As of January the total funds equity weighting was 64% versus its target equity weighting of 60%. CS Mckee was put on watch during the last quarter and two other managers CIM and Valley Forge remain on watch. Two of those three managers are present today. The funds asset allocation has been good over the last 12 through 18 months. These three managers have weighted down the total fund and the fund has missed its benchmark by over 1%. Unfortunately, there were no managers that out performed during the year to offset the year. In late November, Vanguard Large Cap Equity Index funds was changed to the Vanguard Russell 1000 Growth and Vanguard Russell 1000 Value Equity Funds to better reflect the benchmarks. In late December, Emerald Advisors was engaged to replace the Vanguard Russell 2000 Index Fund with Emerald's small cap equity account. CS McKee small cap account switched to a small cap value account effective January 1, 2013. The fund's Investment Policy was updated to permit high yield fixed income investments, but was not funded yet. Review of the asset allocation of the fund. Currently there is not a value or growth tilt. The small cap allocation is a little below the target. The International Equity is about 1.3% higher. Possible ideas in the future would be to add more to small cap and more in international. The fixed income is about 4% under the target weighting. The Real Estate class is currently at 5%.

Jim Gibson the Chief Investment Office from Valley Forge presented to the Board a review of performance and why Valley Forge has underperformed. Valley Forge was hired in April of 2008 to manage risk and participate. Valley Forge tries to win by not losing. In up markets they will not be the best performer but they will be in the down market. Last year Valley Forge unperformed by 1000 bps which is unusual. They provide diversification in our fund. A review of performance since inception on a quarterly basis shows there has been eight (8) down quarters, seven (7) of those eight (8) quarters Valley Forge has outperformed. The market was down 22% from September 2008 through December 2008, Valley Forge was down 10%, March 2010 through June 2010 the market was down 11.5%, Valley Forge was down 5% and June 2011 through September 2011 the market was down 15%, Valley Forge was down 4%. Since inception, Valley Forge has beaten the index by 35bps in large cap. 2012 was their bad period. Valley Forge feels they are positioned for 2013 to be the payoff year. A review of the portfolio shows that the dividend income yields 3.1% and the market yields 2%, Valley Forge is currently 50% above the market yield. Most of the stocks are up 11 – 12%. The reason for underperformance is gold stocks. Since August of 2011 the S&P is up

25%, gold stocks are down 25 % to 30 %, that is a 50% swing on a portfolio that is 10 to 11% exposed to gold stocks. Valley Forge believes that gold is still in a bull market and will go to new highs and gold stocks will follow over the next couple years. In conclusion there have been no personnel changes at Valley Forge and the assets under management are trending up, currently at $3.8 million.

Andy Fisher, the President and CEO of CIM presented to the Board a review of performance for the 4th quarter. The breakdown of the asset allocation shows there are some slight underweights and slight overweight in certain sectors of the asset allocation. Since inception in March of 2010 to date, CIM averaged 10.42% annualized returns which are above the actuarial, but slightly below the S&P benchmark of 10.58%. During 4th quarter there was an underperformance to the benchmark, the last year trailed by approximately 75 bps. CIM's performance for the last six months was right on the market, the S&P did 5.95%, our equity market did 5.96%, and the total account which includes cash is at 5.90%. The sector weight maintained an overweight in consumer discretions, industrials and energy and an underweight in staples, utilities and materials. Future strategy is to stay exposed to global industrial names and stay neutral in financial. In conclusion, CIM has assets under management of $1 billion; they are looking at hiring 2-3 people this year. Everything structurally in the firm is a positive.

Frank wrapped up the presentations of both Valley Forge and CIM. Reviewing the ten year track record for Valley Forge, 7 of the 10 years they have beat the index by 75% and the ten year record beats it by 137 bps. Those track records are impressive. Both firms are growing and maintaining their discipline.

Future agenda for the fund once the watch managers are under control is to spend some time in fixed income possibly shortening bond maturity time with CS McKee and then to discuss with FNB exploring asset classes that might be more defensive to rising interest rates. Also present to the board an evaluation of the Real Estate investment trust as to where there valuation is today relative to the underlying assets and where they are in the cycle; more of an educational piece. Currently there is 64 % in equities, possibly discuss in the future of putting more money into the small cap and foreign equities. A brief review of the performance summary of the fund showed that the one year number trailed by 175 bps. The asset allocation was good, however the fund still trailed. The fact is two managers, CS McKee Small Cap and Valley, had such a bad year brought the fund down, which explains 80% of the one year number. Next quarterly board meeting scheduled for May 13, 2013.

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 February Retirees: Richard Steel, Patricia Nemeth, Robert L. Shingler, Gary Ondecko and Gary Oleksa. Motion seconded by Lisa Kozorosky. Motion carried. Vote unanimous 5-0.

Motion made to adjourn the meeting by Tom Chernisky. Motion seconded by Mark Wissinger. Motion carried. Vote unanimous 5-0. Meeting adjourned at 11:45 a.m.

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Ed Cernic, Jr.