

Retirement Board Meeting  
November 4, 2013

Present:	Commissioner	Douglas Lengenfelder Mark Wissinger Thomas 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 Lisa Kozorosky to approve the minutes from the Retirement Board Meeting held on October 24, 2013. Motion seconded by Tom Chernisky. Motion carried. Vote unanimous 5-0.

Ed Cernic reviewed the Retirement Summary with the Board. As of November 1, 2013 the total number of retirees is 1000. The Retirement Summary shows the activity since the last quarterly Retirement Board meeting. Average gross amount of retirement payroll is \$870,000.00. Motion made by Mark Wissinger to accept the Retirement Summary. Motion seconded by Tom Chernisky. Motion carried. Vote unanimous 5-0.

Ameriserv report was provided by Diane Karpen. As of today, the market value is \$179,991,729.49. Since the last Retirement Board meeting on August 12, 2013, the market value increased by over \$6.4 million. For this year alone the plan has appreciated over \$25.2 million. Both of these numbers include the draws needed to pay pension benefits added back into the market values. Year to date there were \$3,850,000.00 in draw down benefits. All managers currently have below 3% of uninvested cash. Motion to accept the Ameriserv report was made by Mark Wissinger. Motion was seconded by Ed Cernic. Motion carried. Vote unanimous 5-0.

Morrison Fiduciary Advisors – Frank Burnette reported that the fund is up 15% so far this year. The 5 year return is in the area of 7 1/2 %, which is the actuarial assumption. The fund and the board have remained committed to equities. Review of the rolling 3-year and 5 year returns for Treasuries vs. Equities vs. Hedge Funds. The 3-year rolling returns were Treasury 8.8% vs. S&P 500 10.9% vs. Hedge funds 3.5% and the 5-year rolling returns were treasury 6.8% vs. S&P 500 1.7% and Hedge Funds 1.5%. The equity weighting in this fund over the last couple years has been outstanding and has paid off well for the fund. Review of the watch status managers. CIM has exceeded its benchmark by 28 basis points for the quarter but trailed by 64 basis points year to date. CS McKee has trailed its benchmark by 183 basis points for the quarter and trailed by 584 points year to date. Navellier has exceeded its benchmark by 45 basis points for the quarter end but trailed by 219 basis points year to date. CS McKee's rank vs. other small cap value managers has been in the high 90s. This manager has underperformed for an extended length of time. They have attended previous retirement board meetings to explain the underperformance. They originally had \$12 million of the fund and were cut back to \$5 million to have less of an impact on the fund. They are now candidates to be terminated. Discussion was held among the board members on allowing additional time for CS McKee to be watched, at least until the end of the year. Tom Chernisky questioned why wait to terminate them rather than terminated them now. One reason to wait would be that costs would be associated with terminating CS McKee, but then again the same costs would occur later. Frank advised if we did terminate them now the money can be moved into the Vanguard Index fund until another fund for small cap could be decided on. Ed Cernic made the recommendation that regardless of the decision made today on CS McKee, Frank Burnette needs to proceed with an internal search for a new manager for small cap.

- Motion made by Tom Chernisky to proceed with an internal search for a new manager for small cap to replace CS McKee and make the change at the December 19, 2013 when the decision on the new small cap manager is made, termination of CS McKee is subject to the proper timing of when the money can be moved. Motion was seconded by Mark Wissinger. Motion carried. Vote unanimous 5-0.

Frank Burnette provided information to the board and asked the board to educate themselves on the Private Equity asset class. Private equity investments can be made in a single company, a fund of companies or a fund of funds of companies. Through a limited partnership structure, Private Equity investors purchase stock or debt securities in non-public companies with valuations more attractive than publically traded equities. The upside is that private equity has been a durable significant performing asset class for years in all types of markets. Frank will provide the board with some presentation books on Private equity and then have someone come in and make a presentation at the next quarterly meeting.

This year FNB's fixed income was restructured to include 40% floating rate fixed income with the balance being managed in the intermediate grade fixed income strategy. During the 2<sup>nd</sup> quarter, \$8 million was transferred to the Highland Capital Floating rate fund and \$2.75 million was transferred to the SEIX floating rate high income mutual fund. Sam Piccioni, the relationship manager and Jeff Wagner, the portfolio advisor were present to speak about fixed income. Jeff Wagner advised the board that the fixed income market is down and the majority of our returns have been coming from the stock market. The bond side is the balancing act, which is holding its own now and eventually rates will move up. Jeff reviewed the performance of FNB wealth management for 2012 through 2013. The bottom line is that the fund with the combined benchmarks is down -0.26% compared to the blended benchmark of -0.27%. Ed Cernic requested that on future reports they be net of fees. The variable rate strategy has produced positive returns for the fund. The Intermediate Bond Portfolio is currently at 60.36% vs. the target rate of 60% and

the floating rate is currently weighted at 39.64 vs. the target of 40%. A breakdown was provided on the portfolio of what we are invested in and when they are maturing.

Frank Burnette reviewed the work that the custodian Ameriserv has provided. Ameriserv now combines trades of the same security for billing purposes resulting in material cost savings to the County. The County estimates it will save approximately \$12,000 annually with this trade policy in place.

Frank advised that the fund is currently above average for the quarter and year to date. The overall fund is ranked currently at 42.

Doug Lengenfelder asked Frank to talk about the fund and the number of retirees hitting 1000 and continuing to increase. Frank advised that he is comfortable. The funds' performance is generating funds to meet the actuarial assumption. The county has always been able to fund what the actuary has asked for the annual required contribution. The actuary can attend a quarterly meeting to discuss this further. The best time for the actuary would be at the May meeting at which time the final numbers for 2013 will be ready. The actuary report is usually ready by mid-May. There are also some changes coming to accounting standards that the actuary will need to explain better to the board.

Motion made by Ed Cernic to accept the FNB and Ameriserv reports. Motion seconded by Lisa Kozorosky. Motion carried. Vote unanimous 5-0.

#### New Business:

1. Motion made by Ed Cernic to adopt the 2014 Retirement Board monthly and quarterly meeting schedule. Motion seconded by Mark Wissinger. Motion carried. Vote unanimous 5-0.
2. Motion made by Ed Cernic to keep the interest rate on retirement monies at 4.75%. Motion seconded by Lisa Kozorosky. Motion carried. Vote unanimous 5-0.
3. Discussion by the board on the COLA (Cost of Living Increase). The process of providing a COLA to all retirees would entail prorating to the last time a COLA was given. The last COLA was given in 2001. The board has always maintained that the cost of the healthcare that is paid from the general fund makes up for COLA increases. The majority of retirees have health care. Motion was made by Ed Cernic that there be no COLA increase, motion was seconded by Mark Wissinger. Question raised by Doug Lengenfelder on what happens to those retirees who don't have healthcare, they do not benefit at all through healthcare or COLA. The actuary can discuss the cost of what a COLA would be when they come to the May meeting. Vote 4 affirmative, Commissioner Lengenfelder abstained and did not provide reason for abstention. Motion carried.
4. Motion made by Ed Cernic to approve the buyback request received from Todd Crowe to purchase one year, one month and twenty five days of per diem service in the amount of \$1,160.24. Motion seconded by Lisa Kozorosky. Motion carried. Vote unanimous 5-0.
5. The Retirement Board was informed by the Controller's Office about an error that occurred in the Human Resources Office during the processing of the July 12, 2013 payroll at the last retirement board meeting. Since that meeting there were three additional who withdrew their retirement monies that were also affected by this error. The total amount of overpayment for these three individuals on their withdrawals was \$246.29. Certified letters were sent on October 28, 2013 requesting the overpayment amounts be repaid by December 1, 2013. The individuals affected were Lorie Lapso, Lauren Brant, and Linda Miller.
6. Motion made by Ed Cernic to ratify the action taken by the Commissioner's Office on the following November Retirees: Luann Sheeder. Motion seconded by Lisa Kozorosky. Motion carried. Vote unanimous -0.

Motion made to adjourn the meeting by Mark Wissinger. Motion seconded by Tom Chernisky. Motion carried. Vote unanimous 5-0. Meeting adjourned at 11:27 a.m.

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Ed Cernic, Jr.