

Retirement Board Meeting
February 17, 2014

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 1:02 p.m.

Motion was made by Lisa Kozorosky to approve the minutes from the Retirement Board meeting held on February 3, 2014. Motion was seconded by Mark Wissinger. Motion carried. Vote unanimous 5-0.

Ed Cernic distributed the Cambria County Pension Fund Financial Statement for year ending December 31, 2013 to all board members. The booklet is printed in house and provides detailed information on the pension fund.

Frank provided an explanation to the question raised on Vanguard's Russell 2000 Value Index Fund. The report listed a 24 bps fee but our actual fee for the fund is 8 bps. Since the Russell 2000 Value Index fund has investments in Business Development Companies mutual fund, SEC disclosure rules require a mutual fund to report in its prospectus expense table the expenses of underlying investment companies in which a fund invests as "acquired fund fees and expenses". Cambria County's investment return is 8 bps less which is Vanguard's fee and the 16 bps are expenses at the company level.

At the request of the board, Frank Burnette invited two Private Equity firms to give presentations to the Board for the board to learn more about private equity investing. The two presenting are the result of the consultant doing due diligence on a search for the best choices for Cambria County if Cambria decided to invest in private equity. The private equity firms that presented were Neuberger Berman and Hamilton Lane.

Presenting for Neuberger Berman were Jonathan Shofet, Managing Director and Christopher Frattaroli, Senior Vice President. Neuberger Berman has \$242 billion in assets under management. They have a global presence with approximately 2000 employees in 29 cities worldwide and are focused on performance. Ninety-four percent (94%) of the firm's equity and seventy-seven (77%) of the firm's fixed income assets under management outperformed over the last 10 years. Neuberger Berman is employee owned and controlled by over 350 senior professionals and there are 190 dedicated research and portfolio analysts. Their mission statement is to partner with clients to achieve their unique investment objectives. Neuberger Berman is currently on Fund XX which has a target capacity of \$750 million and has already raised \$441.8 million. The final close date of this fund is June 30, 2014. New investors can buy into an existing portfolio at cost plus an interest charge of 4% on investment capital. Fund XX will be a globally diversified portfolio of primaries, secondaries and co-investments. Investors may select their own allocation among the four asset classes. In addition to the interest charge of 4% on investment capital, the fees for Fund XX is an average of 36 bps over the life of the investment after the standard rate of return of 8%. The life of the investment is 12 years. Also, there is a second layer of fees at the Private Equity manager level which is different for primary investments and secondary and co-investments. These fees are paid on an investment by investment basis after the return of invested capital and the preferred return is received.

Presenting for Hamilton Lane were Timothy D'Arcy, Vice President and Andrew Schardt Vice President. Hamilton Lane has more than \$176 billion in total assets under management and supervision. They have 11 offices worldwide and more than 200 global employees. Hamilton Lanes investment philosophy has been consistent throughout their 20 year history. Hamilton Lane's investment philosophy is based on intelligent portfolio design, acknowledging that performance is best generated through a market driven approach to investing, prudent diversification that takes advantage of the most attractive opportunities but does not seek to index the asset class and an emphasis on J-curve mitigation. Hamilton Lane offers co-investments which is a direct investment in a portfolio company alongside the lead sponsor. One of the benefits of co-investing are lower management fees and diversification. They are currently on Fund III, which has a target size of \$1 billion with a minimum commitment of \$5 million. The fund has already been funded midway to the target size. The portfolio will be have 25-30 investments with a diversified industry exposure. The term of the partnership is 10 years with the ability to extend 2 years and the management fee is 1% with a 10% on carried interest after the 8% preferred rate of return. There are no additional management fees. The final close date to this fund is approximately early of 2015.

After the presentations, the board held discussion on private equity and if it would be right for Cambria County. Doug Lengenfelder feels investing in private equity would be good for Cambria County. Ed Cernic is still not convinced. He felt the presentations were good and they did provide more insight, however, he is hesitant because there are fees at every turn of the road with private equity and once committed it would be for 10 – 12 years. Tom Chernisky expressed concern about if our fund was at a high enough level to invest in private equity. The board will continue to learn more about private equity.

New Business:

1. Motion was 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: Elverda Pellas and Susan Gindlesperger. Motion was seconded by Tom Chernisky. Motion carried. Vote unanimous 5-0.

The next scheduled Monthly Retirement Board Meeting is Thursday, March 27, 2014 in the Commissioner's Meeting room, 3rd floor.

Motion made to adjourn the meeting by Mark Wissinger. Motion seconded by Tom Chernisky. Motion carried. Vote unanimous 5-0. Meeting adjourned at 3:00 p.m.

Ed Cernic, Jr.