

Retirement Board Meeting
May 5, 2014

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| Present: | Commissioner | Douglas Lengenfelder Mark Wissinger Thomas Chernisky |
| | Controller | Ed Cernic, Jr. Kristine Segear |
| Absent: | Commissioner | Douglas Lengenfelder |
| | Treasurer | Lisa Kozorosky |

Commissioner Wissinger called the meeting to order at 10:01 a.m.

Motion was made by Tom Chernisky to approve the minutes from the Retirement Board meeting held on April 24, 2014. Motion was seconded by Mark Wissinger. Motion carried. Vote unanimous 3-0.

Retirement summary was reviewed by Ed Cernic. The report shows the current number of retirees as of April 28, 2014 which is 1,017. The report also shows all activity since the last quarterly meeting in regards to new retirees, payroll and withdraws. Motion was made by Ed Cernic to approve the summary. Motion was seconded by Tom Chernisky. Motion carried. Vote unanimous 3-0.

Mike Geiser from Ameriserv reviewed the reports provided. The current value of the retirement fund is \$183,899,476.44 as of May 5, 2014. The report was compared to the market value in February when there was a drop in the market. From that time the total market value appreciated \$3.4 million and then with the distributions added in of \$2.3 million, the fund was still able to have a \$5.7 million unrealized gain. The cash report was reviewed and currently CS McKee is holding 8% of cash and FNB fixed is 4.985%. The board prefers for managers to hold less than 3% of cash. Frank Burnette will keep an eye on the cash balances. Motion was made by Ed Cernic to approve the Ameriserv report. Discussion has been ongoing with Ameriserv in reference to custody fees and the way they are being calculated. The volume in the account and the amount of security trading's are creating a lot of work in terms of reconciling. It has become real cumbersome. There needs to be a fee that is fair for both sides. Ed Cernic stated that Ameriserv has restructured its fees at least two times in the past ten years to lower their fees and he feels the fees are more than reasonable while still providing excellent service to our account. Motion was seconded by Mark Wissinger. Motion carried. Vote unanimous 3-0.

Frank Burnette from Morrison Fiduciary Advisors provided an economic summary. The US economy is doing well due to consumers continuing to reduce debt. The fund is currently up 3% at one-third of the way through the year. At quarters end, the total fund's equity weighting was 66.3% versus its target equity weighting of 60% and the cash balances represented 0.9% of total assets. Private equity has been discussed and studied by the board. Frank feels he has enough trustee concerns about investing in private equity that he is not going to recommend investing in private equity to the board at this time. He feels that this should be unanimous decision and not a split vote from the board on investing in private equity. The CS McKee's small cap value equity was terminated in January and all proceeds were transferred to Integrity Asset Management's small cap equity account. In addition, \$4 million was liquidated from Vanguard Russell 2000 Value index to initially fund the Integrity account. In January, \$3 million was transferred to the Vanguard Russell 1000 Value index mutual fund to eliminate the fund's large cap growth equity bias. On April 16, 2014, Victory Capital Manager acquired Integrity Asset Management. Integrity's underlying investment process and decision making will not change. A review of the asset allocations shows that fixed income is over weighted by 6% and the real estate portfolio is just a little bit over the target. The watch status managers which include CIM, Navellier, and Thornburg were reviewed. All of these managers were put on watch due to performance. CIM has exceeded its benchmark by 9 bps for the 1st quarter, but is still problematic due to being behind the index over time. Their fund has been cut back. Navellier has exceeded its benchmark by 61 basis points for the 1st quarter but trailed by 58 basis points over the trailing twelve months. Thornburg's international equity was placed on watch during the 1st quarter of 2014 due to recent underperformances. We have only had them as a manager for a short time. The underperformance is relative to their underweights in European banks and Japanese equities. Thornburg has underperformed its benchmark by 232 basis points annually. Frank Burnette also reviewed the performance summary reports. There are two reports, one before fees and one net of fees. The ranking of each manager changes between the reports. Depending on how the fees are assessed some manager's report will be the same.

Elsie Carner from GMO presented to the board. Cambria County is invested in the GMO International All Country Equity Allocation Fund with an expense ratio of 74 basis points. This fund is benchmarked against the MSCI ACWI ex. US Index. GMO's edge is to blend proven traditional judgments with innovative quantitative methods to identify undervalued securities and markets. GMO is a private partnership founded in 1977 and has \$119 billion of assets under manager. The preliminary numbers for

April show that the returns are up 2.6%. The asset allocation team responsible for Cambria's portfolio is Sam Wilderman and Ben Inker who are both Co-Head of Asset Allocation. Currently the fund is slightly underweight in international equities and overweight to emerging markets by 3.2%.

Jon Ketzner and Heather Linn from CBIZ presented to the board. Jon provided to the board the annual summary and reviewed the plan benefits. On January 1 of each year CBIZ is provided with the updated census information from the County with respect to current employees, new hires, newly vested members, new retirees, etc. This information allows CBIZ to compile all of the information to develop and calculate the suggested level of contribution. The total cost of the plan is based on benefits that are paid less any investment returns. The actuarial assumptions are based on estimates of the future 7.5% investment return, 4.5% salary scale and the standard white collar life expectancy table. Experience gains and losses are spread over future working lifetime, and generally asset reductions attributable to benefit distributions roughly equate to a corresponding reduction in Plan liabilities. The 2014 recommended contribution to the plan is \$2,313,521.00. The fund is currently funded at 93%. In conclusion, our recommendations to Cambria County is to develop a comprehensive funding policy to dovetail with changing accounting rules, revisit actuarial assumptions with adoption of the new GASB requirements, make no changes in plan provisions and no benefit improvements. Jon also advised that his staff is still working on the benefits calculator that will be available on the Cambria County website for employees to project their future retirement.

New Business:

1. Motion was made by Tom Chernisky to ratify the action taken by the Commissioner's office at the recommendation of the Controller's office on the following May retirees: Mary Lou Varner. Motion was seconded by Ed Cernic. Motion carried. Vote unanimous 3-0.
2. Discussion was held on items that are subject to retirement contribution. The only items that currently run through payroll that are not subject to the 9% is the taxable meal reimbursement. This prompted the question as to why other items are subject to the 9% contribution. This is something that the board needs review and make a decision on what should and should not be subject to the mandatory 9% contribution. The board requested that a list is made so it can be reviewed and a determination can be made. This list should be ready for the next board meeting.

The next scheduled Retirement Board Meeting is Monday, June 26, 2014 in the Commissioner's Meeting room, 3rd floor at 10:00 a.m.

Motion was made to adjourn the meeting by Tom Chernisky. Motion seconded by Ed Cernic. Motion carried. Vote unanimous 3-0. Meeting adjourned at 11:45 a.m.

Ed Cernic, Jr.