

Retirement Board Meeting
November 3, 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 10:06 a.m.

Motion was made by Mark Wissinger to approve the minutes from the Retirement Board meeting held on October 23, 2014. Motion was seconded by Lisa Kozorosky. Motion carried. Vote unanimous 5-0.

Ed Cernic reviewed the attached Retirement Summary. October retirement payroll was \$916,473.39 for 1027 retirees.

Michael Geiser presented the Ameriserv report. The market value as of today is \$185,607,805.63, which is roughly two million less than reported at the last quarterly meeting in August. The market was bouncing around and the fund was at one point, \$180 million. All managers are within the 3% cash balances. Ed Cernic mentioned the investment with Vanguard was made at the wrong time, but the investment is coming back now. Motion was made by Ed Cernic to accept the Ameriserv report. Motion was seconded by Mark Wissinger. Motion carried. Vote unanimous 5-0.

Frank Burnette reported that the funds' current return is 5.9% to date. The target return for the fund is 7.5% and there are still two months to obtain that target. The market is doing well right now and the target return is attainable. We still continue to focus on investing in the stock market and not the economy.

Jeff Davidek from CS McKee presented to the board. CS McKee manages approximately \$11.4 billion and employs ten key investment professionals and has 34 employees. McKee's fixed income account has exceeded its benchmark over long-term time periods since inception. The one year return was 2.45% versus the benchmark of 2.20%, year to date is 2.19% versus 2.22%. The quarter to date return is -0.08% versus the benchmark of -0.03%. It has been slow times in the traditional fixed income space. These are not great numbers that are going to help you get you to your actuary target, however with that being said CS McKee is a key liquidity source for the fund. One of the things we saw in October was a lot of volatility in the markets. The quantitative easing came to an end. October saw the S&P 500 correct itself by 9.8% and as of the close of yesterday it is back at the all-time high. Jeff mentioned that CS McKee's part in the retirement fund is to counterweigh volatility and that has happened during the month of October. This particular strategy that we manage has outperformed the benchmark every year since the year 2000. This year is the first year of underperformance. Ed Cernic expressed his concern to Jeff in reference to the high ranking in the percentile. Jeff advised that this past month has been one of the best month's for CS McKee as far as picking up business in CS McKee fixed income in the amount of \$300 million dollars. The key reasons cited for choosing CS McKee had to do with consistency year in and year out and another key factor is the tremendous down capture ratio is better than fifty percent.

Mossy Murphy director of Business Development for CIM Investment Management advised the board that last year CIM had \$1 billion of AUM. This year they have added three new clients and five new composites and the assets are at \$1.1 billion. CIM is an employee owned, Pittsburgh based investment manager. The performance within the last year is indicative of a positive time from for CIM. CIM looks forward to continuing to work with the county. Justin Salamone, a portfolio manager who focuses on large cap for CIM spoke to the board. This year has been a transition from full blown bull market to a scattered bull market meaning different sectors really taking different hits at different times throughout the year. Cambria County's portfolio value with CIM on June 30, 2014 was \$7,327,032.29. The portfolio value on September 30, 2014 was \$7,451,634.41, showing a total investment gain for the trailing three months of \$124,602.12. The last quarter the S&P 500 is up 2%, while the small cap and more risky stocks are down 4-7%. We see that trend continuing. We have a well-diversified portfolio so you will not see big swings up or down. We have outperformed by 115 bps over the index so far this year and we estimate another 85 bps through year end.

Frank provided an overview to the board on Twin Capital. Frank feels that Twin Capital is a viable firm. Twin employs a quantitative, proprietary multi-factor model which ranks stocks in their universe from highest to lowest regarding expected returns. Frank recommends that Cambria County go with the enhanced index strategy which employs a lower tracking error and manages large cap equity portfolios to be more closely matched to the S&P 500 index.

- Ed Cernic made a motion at the recommendation of Frank Burnette to invest \$5 million with Twin Capital's enhanced index strategy. Motion was seconded by Doug Lengenfelder. Motion carried. Vote unanimous 5-0.

Frank provided an overview to the board on Chimicles & Tikellis. C&T provides portfolio monitoring services, at no cost to the client, to identify possible violations of state and/or federal securities law, breaches of fiduciary duties and instance of abuse by corporate management. The firm utilizes their extensive knowledge and trial experience in assisting institutions in the litigation of shareholder rights, claims on behalf of shareholders, and shareholder derivative claims. Frank feels adding a third firm to the fund should enhance the potential recoveries to the County and not dilute the work of the original two law firms.

- Doug Lengenfelder made a motion to hire Chimicles & Tikellis, at no cost per the agreement, to provide monitoring services for the retirement fund. Motion was seconded by Ed Cernic. Motion carried. Vote unanimous 5-0.

New Business:

1. The current interest credit on employee contributions is 4.75%.
 - Motion was made by Ed Cernic to keep the interest credit 4.75% on employee contributions for 2015. Motion was seconded by Mark Wissinger. Motion carried. Vote unanimous 5-0.
2. The board discussed a Cost of Living Increase (COLA). The way legislation is at this time a cost of living increase would be too prohibitive to give for the retirees, reason being is that the cost of living would need to be prorated to the last increase which was in 2001.
 - Motion was made by Doug Lengenfelder for no cost of living increase for 2015. Motion was seconded Ed Cernic. Motion carried. Vote unanimous 5-0.
3. 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 November retirees: Philip Brulia, Lisa Byich, Patricia Gilman and Sherree Kmett. Motion was seconded by Lisa Kozorosky. Motion carried. Vote unanimous 5-0.

The next scheduled Retirement Board Meeting is Thursday, December 18, 2014 at 10:00 a.m. in the Commissioner's Meeting Room, 3rd Floor.

Motion was made to adjourn the meeting by Tom Chernisky. Motion seconded by Ed Cernic. Motion carried. Vote unanimous 5-0. Meeting adjourned at 11:05 a.m.

Ed Cernic, Jr.