

Retirement Board Meeting
February 13, 2015

Present:	Commissioner	Douglas Lengenfelder Mark Wissinger Thomas Chernisky
	Controller	Ed Cernic Dana Descavish
	Treasurer	Lisa Kozorosky

Commissioner Lengenfelder called the special Retirement Board meeting to order at 9:34 a.m.

Frank Burnette advised that the fund is currently up 1% this year. The reason for today's meeting is to diversify the \$60 million fixed income portfolio. The fixed income portfolio is currently divided between two managers that do very conservative portfolios that are ten years or less in maturities and are at least half treasuries in government securities where the yield isn't very good and is not going to be good going forward. Frank is advising to move 25% of the \$60 million or \$15 million and put it into two new asset classes that are fixed income like but have a little more risk. The yield over a period of time should be much higher. The current fixed income portfolios are yielding 3% or less and these are going to yield 5-6% and maybe even 7%. The two new asset classes would be High Yield and Master Limited Partnership. The first asset class High Yield Fixed Income investments are debt issued by companies rated below investment grade and are generally 5-12 years but can be shorter. The firm that Frank is recommending for High Yield is Vanguard High Yield through FNB's management. Their 15 bps fee is very low and they do a good job of managing a conservative fixed income portfolio that favors higher quality high yield bonds and limits its holdings of the lowest rated high yield bonds. FNB will sell off the variable rate investments and invest into the high yield bonds. The second asset class is Master Limited Partnerships which are publicly traded stocks and are just as liquid as other stocks in the portfolio. Energy MLPs are mainly midstream energy infrastructure assets that transport, process, and store natural gas, crude oil, and refined petroleum products. The firm Frank is recommending is Miller Howard and their fees are 50 bps on 1st \$5 million, 45 bps on next \$35 million and 40 bps thereafter.

Mark Wissinger arrived at 9:56 a.m.

- Motion was made by Doug Lengenfelder to modify the policy to accept Master Limited Partnership within the portfolio 4% +/- 4% to be taken out of the fixed income percentage in terms of moving it to the Real Estate MLP as outlined on page 2 of Frank Burnette's presentation. Motion was seconded by Ed Cernic. Motion carried. Vote unanimous 5-0
- Motion was made by Ed Cernic at the recommendation of Frank Burnette to rebalance the fund and move \$7.5m to FNB/Vanguard High Yield and \$7.5m to Miller Howard/MLPs as outlined on page 2 of the presentation. Motion was seconded by Doug Lengenfelder. Motion carried. Vote unanimous. 5-0.

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 additional February retirees: Jeanne Hess and Peggy Weber. Motion was seconded by Tom Chernisky. Motion carried. Vote unanimous 5-0.
2. Next meeting is scheduled for Thursday, March 12, 2015 immediately following the 10:00 a.m. Commissioner's Meeting.

Motion was made by Mark Wissinger to adjourn the meeting. Meeting adjourned at 10:15 a.m.

Ed Cernic, Jr.