

Retirement Board Meeting
May 4, 2015

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

Commissioner Lengenfelder called the Retirement Board meeting to order at 10:09 a.m.

Motion was made by Lisa Kozorosky to approve the minutes from the Retirement Board meeting held on April 9, 2015. Motion was seconded by Mark Wissinger. Motion carried. Vote unanimous 5-0.

Ed Cernic reviewed the retirement summary. As of April 27 there are 1,039 retirees. April's retirement payroll was \$957,746.07. There are currently 685 members contributing to the plan. To date for 2015, there has been 23 retirees, 14 deaths and 8 withdrawals and rollovers. Three are still 49 Laurel Crest employees that are eligible for an Early Involuntary Retirement. Motion was made by Mark Wissinger to accept the retirement summary report. Motion was seconded Lisa Kozorosky. Motion carried. Vote unanimous 5-0.

Mike Geiser from Ameriserv advised the Board that the current market value is \$191,120,131.88 and that all cash balances are within 3%. Mike thanked the Controller's office and Frank Burnette for bearing with Ameriserv during the system conversion and the minor glitches that needed to be corrected. Ed explained that Kristine Segear has been very diligent in tracking the reports and did find some inconsistencies, but all is back on track now. Motion was made by Ed Cernic to accept the Ameriserv report. Motion was seconded by Lisa Kozorosky. Motion carried. Vote unanimous 5-0.

Frank Burnette spoke briefly to the board about the economy. The economy is getting stronger but the stock market is not going to be a direct correlation to a stronger healthier economy. The stock market had already anticipated a stronger economy and a lot of this has already been realized tremendously over the last 5-7 years. Since the last quarterly meeting the board approved new policies for pension fund guidelines, REIT's and master limited partnerships (MLPs). During February, the fund allocated \$7.5 million to master limited energy partnerships. The funding came from CS McKee's fixed income account and the liquidation of the Highland Bank Loan Fund. In early April, the fund reduced its equity weighting by roughly 3% with the proceeds going back to the Funds liquidity manager CS McKee. CIM's management fee was reduced from 50 bps to 35 bps resulting in a \$12,000.00 annual savings. The effective date of the fee reduction was April 1, 2015. Due to a trading error, Emerald Advisors has reimbursed the fund with an \$18,210.00 credit against current quarter management fees. The current equity weighting is 66.5% versus the target of 60%, fixed income weighting is 27.3% versus the target of 32% and real estate and MLPs weighting is 6.2% versus the target of 8%. The current watch status managers are CIM, Navellier, and GMO. CIM is marginally trailing by 160 bps annually since their February 2010 inception date. Navellier has had a period of strong performance but is still trailing by 235 bps annually since inception date. GMO was placed on watch during the first quarter of 2015. GMO has trailed its benchmark over the 1-3 year time periods. None of these managers are materially underperforming to the point that it has affected the overall fund.

Jeff Davidek from CS McKee presented to the board. CS McKee has been managing fixed income for over four decades now. At the end of 2014, the firm was recognized by the Plan Sponsor Network as a top ten manager in fixed income. As of March 31, 2015 the market value of the Cambria County Employees' Retirement Fund was \$22,683,870.00. The portfolio was up 1.5% versus the BC Intermediate benchmark of 1.45%. Since inception, the bond portfolio has returned close to 8% and we are getting to the final stages of what we see as a long term cycle of declining interest rates. It's very challenging in fixed income to add value and the county is well served by recommendations that Frank has made. Our portion of the fund is designed to be the ultimate counterweight to every asset class in the fund if there is a correction or economic issues. The ten year treasury is 1.92% and it is surprising to know if the ten year moves just 100 bps up to 3% the face value of ten year treasury could decline by double digit percentage. In the industry right now there are two schools of thought on fixed income one being diversification. You can either go long term bonds, take more credit risk or on the other side you can go with the shorter higher liquidity and hopefully a move happens sooner rather than later and repositions the portfolio to become more attractive fixed income.

Ed suggested to Frank Burnette, in light of what Jeff from CS McKee explained on fixed income that Frank should take a look at what we have in fixed income and make sure we are positioned correctly and then report back to the board.

Patrick Kennedy from Integrity presented to the board. Integrity Asset Management is an experienced, institutional caliber small/mid cap value equity investment firm based in OH. In October of 2014, Integrity became a wholly-owned subsidiary of Victory Capital Management. We currently have \$5.4 billion of assets under management with \$2.6 billion in small cap value equity. Cambria's portfolio performance had a total return for the quarter of 4.08% versus the Russell 2000 value index of 1.98%. A review of the sector allocation shows an overweight in both consumer discretionary, information technology, health care and in line with industrials. Integrity is a diversified manager and currently has 119 names in Cambria's portfolio. Our stock selection process is to find the right company, at the right price and at the right time. Integrity's performance has had a consistent value over investment cycle for the last ten years with the exception of 2006.

Frank presented to the board the fund's current investment policy statement which has been reviewed and updated to include the updates for REIT's, Energy MLP's and actuarial funding. .

- Motion made by Ed Cernic to accept the updated Investment Policy Statement. Motion was seconded by Tom Chernisky. Motion carried. Vote unanimous 5-0.

Frank provided a review of investments to the board. The total Fund returned 2.71% versus a 2.17% benchmark return for the first quarter ranking in the 16th percentile versus its peer groups. For the trailing 12 months, the total Fund returned 7.64% versus a 7.82% benchmark return ranking in the 30th percentile versus its peer group. For the trailing 2 years the total Fund returned 10.62% versus a 9.99% benchmark return ranking in the 27th percentile group and the total Fund's five year ranking was in the 50th percentile group.

New Business:

1. Motion was made by Mark Wissinger to approve the buyback request received from Susan Becker to purchase previous service time in the amount of \$3,974.47. Motion was seconded by Tom Chernisky. Motion carried. Vote unanimous 5-0.
2. Motion was made by Lisa Kozorosky to approve the buyback request received from Andrew Hancharik to purchase worker's compensation time in the amount of \$3,587.62. Motion was seconded by Doug Lengfelder. Motion carried. Vote unanimous 5-0.
3. Motion was made by Mark Wissinger to ratify the action taken by the Commissioner's office at the recommendation of the Controller's office on the following May retirees: Kathryn Ott, Judy Arnold, and Susan Becker. Motion was seconded by Tom Chernisky. Motion carried. Vote unanimous 5-0.
4. Next meeting is scheduled for Thursday, June 11, 2015 immediately following the 10:00 a.m. Commissioner's Meeting.

Motion was made by Mark Wissinger to adjourn the meeting. Meeting adjourned at 11:01 a.m.

Ed Cernic, Jr.