

Retirement Board Meeting
November 9, 2015

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 10:09 a.m.

Motion was made by Lisa Kozorosky to approve the minutes from the Retirement Board meeting held on October 8, 2015. Motion was seconded by Mark Wissinger. Motion carried. Vote unanimous 5-0.

Ed Cernic reviewed the attached Retirement Summary. There are currently 1,052 retirees. Retirement payroll for October was \$984,536.30. There are still forty-five Laurel Crest employees who are entitled to start their involuntary retirement at any time.

Michael Geiser presented the Ameriserv report. The market value as of today is \$181,935,909.26. In the past week the market appreciated \$1.2 million dollars. Cash balances for the individual managers are at or below the 3% threshold. Currently Miller Howard is at 3.502%. Ed Cernic questioned why they were over the threshold. Frank Burnette advised that it was transactional related.

Frank Burnette reported that it has been a trying year and that the fund is up a percent so far this year. As the foreign exchange rate adjusts we are in a different economic situation. Currently the stock market is at fifteen times earnings with a yield 6.5% with some growth rate, treasury notes are at 2.1% and corporate bonds are at 4%. In early April, the fund reduced its equity weighting by approximately 3% with the proceeds going back to the Fund's liquidity manager CS Mckee. Additional equity reductions are anticipated over the next several quarters. The fund's 4% allocation to energy MLPs was materially impacted by lower energy prices but fundamental earnings and distributions have not been reduced and 5-10% distribution increases are anticipated for 2015 and 2016.

Doug Lengenfelder left at 10:16 a.m.

During the third quarter, Constitution Capital Partner's Ironsides Co-Investment Fund III issued 2 capital calls totaling \$2,586,481.00. The amount invested slightly exceeds the projected maximum investment of \$7mm because Constitution Partners has been able to deploy funds more quickly than originally anticipated. The Controller's office is working the IRS Determination project. Frank will be reaching out to the actuary, as discussed at the 3rd quarter meeting, for the cost estimates if the salary scale were to be adjusted and the mortality table and what affect it would have on the plan.

Ed Cernic asked Frank if we should be putting more into MLPs strategy given what is anticipated for the remaining of 2015 and 2016. Frank advised that yes he believes that would be a good move.

- Ed Cernic made a motion at the recommendation of Frank Burnette, during rebalancing, move \$2-3 million in the MLP strategy. Motion was seconded by Tom Chernisky. Motion carried. Vote unanimous 4-0

Tom Chernisky left at 10:27 a.m.

Frank reviewed the asset allocation, the total equity portfolio as of September 30, 2015 is at 58.9% vs. the target of 57%, the total fixed is at 30.9% vs. the target of 31% and nontraditional investments are at 10.2% vs. 12%. Ed Cernic pointed out the equities are what made the gains in the last month, so therefore we don't want to trim that down too much.

Jonathan Davidson from KTMC presented to the board. KTMC is headquartered in Radnor, Pa and has 100 lawyers focusing on securities, antitrust, ERISA, consumer and whistleblower litigation. The firm has been providing Cambria County portfolio monitoring services since 2006. KTMC monitors our investment portfolio, appraises us of any losses that take place and follows the cases to conclusion. In addition they work with Ameriserv to make sure we are recovering any losses. Jonathan distributed the quarterly report ending September 30, 2015. The report included an overview of U.S. and Non-U.S. financial market performance during the past quarter and securities class action information for securities relevant to Cambria County's portfolio. KTMC identifies the claims and Ameriserv is responsible for filing the claims. Ameriserv has a tracking mechanism in place, but at this meeting could not provide the monies recovered. The board has requested that Ameriserv provide a securities litigations report annually to the board at the first quarter meeting. KTMC is a 100% contingency fee based law firm. The fees are awarded by the court when the case is won.

Tom Chernisky returned at 10:32 a.m.

Frank spoke to the board in regards to GMO's performance over the last 3-4 years as a foreign equity manager. Their investment returns have trailed established benchmarks and fallen in the bottom third of equivalent peer group managers. Accordingly GMO has been on watch for some time. Frank is recommending to the board

that GMO be terminated. To replace GMO, Frank is recommending Dimensional Fund Advisors which is a firm with a stable investment performance relative to their assigned bench mark and a very low fee of 38 bps. This firm should ultimately produce net of fee returns in excess of the Fund's foreign equity performance benchmark.

- Motion was made by Ed Cernic at the recommendation of Frank Burnette to terminate GMO, engage DFA Foreign Equity and allocate to them \$11 million and place the remaining money from GMO liquidation into Miller Howard MLPs. Motion was seconded by Lisa Kozorosky. Motion carried. Vote unanimous 4-0.

Andy Fisher from CIM presented to the board. CIM is an employee owned, Pittsburgh based investment manager with 1.1 billion of assets under management. CIM is a large cap equity manager with Cambria County since March of 2010. Andy reported that the state of the stock market during the third quarter was based on a lot of things and there were some anomalies that occurred in that quarter that have allowed us to bounce back in this fourth quarter. CIM has been trailing its benchmark annually since its inception date. Ed Cernic pointed out over the last five years, CIM's ranking has been between 80-93 and we need to have better performance from CIM. Andy agrees that Cambria County has every right to be disappointed, believes that CIM can recover and would like to have the chance to do that. Andy feels that between now and the presidential election that the numbers can change.

- Ed Cernic made the recommendation to keep CIM on watch and for Frank to review with Andy on a regular basis over the next two quarters to see where CIM is at.

Frank reviewed the last manager on watch which is Navellier. Navellier has trailed since its inception date of September of 2013. Navellier is currently managing \$14 million for Cambria County. Ed Cernic feels that this money should be reduced.

- Motion was made by Ed Cernic for Frank Burnette to reduce Navellier by \$7 million and look at different options for the board to reinvest that money. Options should be presented to the board within a week to ten days. Motion was seconded by Lisa Kozorosky. Motion carried. Vote unanimous 4-0.
- Motion was made by Ed Cernic to accept Frank Burnette's report. Motion was seconded by Lisa Kozorosky. Motion carried. Vote unanimous 4-0

New Business:

1. The current interest credit on employee contributions is 4.75%.
 - Motion was made by Ed Cernic to keep the interest credit at 4.75% on employee contributions for 2016. Motion was seconded by Lisa Kozorosky. Motion carried. Vote unanimous 4-0.
2. The board discussed a Cost of Living Increase (COLA). House Bill No. 239 has been amended several times, but still is not complete. Therefore, the way legislation is at this time a cost of living increase would be too prohibitive to give for the retirees.
 - Motion was made by Ed Cernic for no cost of living increase for 2016. Motion was seconded by Tom Chernisky. Motion carried. Vote unanimous 4-0.
3. Retirement Board meeting schedule was discussed for 2016. The quarterly meetings have been set for Mondays - February 15, May 16, August 15 and November 7, 2016. The meetings will be held at 10:00 a.m. Monthly meetings will be decided at a later time when the Commissioner's set the Commissioner agenda meetings.

Ed left @ 11:22 a.m.

4. Motion was made by Tom Chernisky to approve the buyback request received from James D. Corran to purchase per diem service time and unpaid medical leaves in the amount of \$1,353.89. Motion was seconded by Lisa Kozorosky. Motion carried. Vote 3-0
5. Motion was made by Tom Chernisky to approve the buyback request received from Karen Fugini to purchase per diem service time in the amount of \$451.64. Motion was seconded by Lisa Kozorosky. Motion carried. Vote 3-0
6. Motion was made by Lisa Kozorosky to ratify the action taken by the Commissioner's office at the recommendation of the Controller's office on the following November retirees: Janice McKnight, Evon Kubat, and Charles Tretinik. Motion was seconded by Tom Chernisky. Motion carried. Vote unanimous 3-0.

The next scheduled Retirement Board Meeting is Thursday, December 3, 2015 immediately following the 10:00 a.m. Commissioner's meeting in the Commissioner's Meeting Room, 3rd Floor.

Motion was made to adjourn the meeting by Tom Chernisky. Meeting adjourned at 11:24 a.m.

Ed Cernic, Jr.