

Retirement Board Meeting  
November 14, 2016

Present:	Commissioner	Thomas Chernisky William Smith Mark Wissinger
	Controller	Ed Cernic, Jr. Kristine Segear Dana Descavish
	Treasurer	Lisa Kozorosky

Commissioner Chernisky called the meeting to order at 10:00 a.m.

Motion was made by Lisa Kozorosky to approve the minutes from the Retirement Board meeting held on October 27, 2016. Motion was seconded by Ed Cernic. Motion carried. Vote unanimous 3-0.

Ed Cernic reviewed the attached Retirement Summary. There are currently 1,086 retirees. Retirement payroll for October was 1,059,074.45.

Diana Karpen introduced Theresa Jacoby to the board. Theresa is the alternative contact for Cambria County if Diana is not available. The market value as of close of business on November 11, 2016 was \$178,213,896.58. Cash balances for the individual managers are at or below the 3% with the exception of Emerald and C.S. McKee. C.S. McKee is currently raising money for the transfer of \$770,000.00. Motion was made by Ed Cernic to accept the Ameriserv report. Motion was seconded by Lisa Kozorosky. Motion carried. Vote unanimous 3-0.

William Smith arrived at 10:03 a.m.

Mark Wissinger arrived at 10:08 a.m.

Frank Burnette provided an economic summary to the board. The economy over six to seven years has grown and survived. The energy market one to two years ago was a big part of it. Unemployment has gotten lower and lower. Wage increases have been going up 3% to 4% which enables the economy to get stronger. The GDP is up 3% as a result. The total funds year to date return through September 30, 2016 is 6.56%. Since that date, the last five or six days have been really good and the fund is up in excess of the funds actuarial return of 7.25% on an after fee basis. So 2016 is considered to be a successful year. The total fund's equity weighting is at 61.9% versus its target equity weighting of 57%. The equity exposure of the assets are going to get the job done. The fixed assets are currently at 24.9% versus the target of 31%, which is approximately \$45 million in fixed income which is a lot of money only yielding 2%. Ed Cernic stated 20% of fixed income is the lowest he would go and still be comfortable with because fixed income is a stable part of the fund. The Fund's 4.3% allocation to energy midstream MLP's have been impacted by lower energy prices but a significant recovery has occurred over the last ninety days. Miller Howard's year to date through September 30, 2016 is 3.81% after returning -0.35% for the third quarter. At the previous quarterly meeting, the Board authorized the consultant and the Controller to liquidate from this investment if an appropriate market value is achieved. This manager is currently on watch status. No liquidation has been done at this time. Since hired the following equity managers, Twin Capital, Integrity and Emerald, have exceeded their market benchmark but have not had a good year. As your consultant, I don't feel they are bad managers and need to be put on watch status, they just are going to have to work their way out of the under-performance. Discussion has occurred with the Controller's office on additional investment options including private debt and government-leased real estate and arrangements with the board will be made for future presentations. The Fund's Investment Policy Statement has been updated and has been provided for your review. The last time it was updated was November of 2015. All changes are highlighted in blue. Language has been added for private equity guidelines that the board has previously discussed and additional language at the request of the Controller's office in reference to administrative tasks. The updated IPS needs to be adopted at a future meeting.

Jeff Davidek and Jack White from CS McKee presented to the Board. McKee manages \$9.7 billion and employs ten key investment professionals and thirty-four total employees. CS McKee serves as the liquidity manager for the total Fund. McKee's fixed income account as exceeded its benchmark over long-term time periods since inception. Jeff advised that this piece of the fund is not an exciting asset class and will not do your heavy lifting. However it proves to be a stable part of your portfolio. Jack White summarized that CS McKee is a conservative bond manager that manages high quality and protects in the down market. CS McKee does not take a lot of credit risks. Since the end of the quarter there has been a dramatic move and they have positioned

Motion was made by Mark Wissinger to accept Frank Burnette's report. Motion was seconded by William Smith. Motion carried. Vote unanimous 5-0.

Let the record show that Constitution Capital Partners did not present as on the agenda. Frank had changed the schedule and has them scheduled for the May meeting.

Before continuing the meeting the following motion was made:

- Motion was made by Ed Cernic to move \$2 million from FNB to CS McKee so that the minimum amount of \$20 million in the fund is met for the fee schedule. Motion was seconded by Mark Wissinger. 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 November retirees: Catherine Bender. Motion was seconded by William Smith. Motion carried. Vote unanimous 5-0.
2. 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 2017. Motion was seconded by William Smith. Motion carried. Vote unanimous 5-0.
3. Retirement Board meeting schedule was discussed for 2017. The Commissioner's office is working on their schedule for 2017 and will advise of their available dates.

Executive Session

- Motion was made by Mark Wissinger to go into Executive Session at 11:06. Motion seconded by Ed Cernic. Executive session ended at 11:07.

The next scheduled Retirement Board Meeting is Thursday, December 22, 2016 immediately following the 10:00 a.m. Commissioner's meeting in the Commissioner's Meeting Room, 3<sup>rd</sup> Floor.

Motion was made to adjourn the meeting by Mark Wissinger. Meeting adjourned at 11:08 a.m.

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Ed Cernic, Jr.