

Retirement Board Meeting
November 6, 2017

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

Pledge of Allegiance

Commissioner Chernisky called the meeting to order at 10:06 a.m.

Motion was made by Lisa Kozorosky to approve the minutes from the Retirement Board meeting held on October 12, 2017. Motion was seconded by William Smith. Motion carried. Vote unanimous 5-0.

Ed Cernic reviewed the retirement summary. There are currently 1,107 retirees as of November 1, 2017. October's retirement payroll was \$1,106,815.21. Motion was made by William Smith to approve the retirement summary. Motion was seconded by Mark Wissinger. Motion carried. Vote unanimous 5-0

Diana Karpen provided the Ameriserv Report. As of close of business on Friday, November 3, 2017, the value of the fund was \$196,556,005.72. All managers with the exception of Emerald and FNB are under the 3% cash balance threshold. Proceeds from litigations year to date for 2017 total \$6,864.45. Motion was made by Ed Cernic to accept Ameriserv's report. Motion was seconded by William Smith. Motion carried. Vote unanimous 5-0.

Frank Burnette advised the Board that the fund is doing very well. The September 30, 2017 performance for the fund was up 10.25% and for the month of October was up almost 2% pushing the fund into a plus 12% return to date. The individual manager's performances are what was expected with occasional minor underperformance over a short period. The international managers, Vanguard and Dimensional Fund Advisors, are doing really well this year. Their funds are up 37.5% and 21.9% respectfully. Emerald Small Cap is up 18.9%, Twin Capital is up 13% and Vanguard Russell is up 21%. Frank believes that asset allocation is what will make or break the fund. A review of the asset allocation indicates that the fund's target allocation to foreign equity is on the light side at 10% and we are currently holding 12%. The average client has their foreign equity allocation at 15%. The Wilshire analysis indicates foreign allocation should be 17-18% with some accounts being as high as 20-25%. So at some point, the Board will need to move in the direction of increasing the foreign equity investment allocation.

- Ed Cernic recommended that Frank, by the next monthly meeting, make a recommendation as far as asset allocation changes and increasing the foreign equity allocation.

Frank continued to review the fund. At quarter end, the total Fund's equity weighting was 64.3% versus its target equity weighting of 58%. Individual manager cash balances totaled \$3,094,251.80 which represents 1.5% of total assets. In August, the Ironsides III Co-Investment Fund issued a distribution in the amount of \$2,354,087.88 which was deposited into the CS McKee fixed income account. In late August, the total fund's foreign equity weighting was increased by \$7.5 million with the funding coming from the Fund's domestic equity manager to get us at least weighted as high as we are right now. Earlier, the Board approved the consultant's recommendation to invest \$10 million in the Constitution Capital Partners (CCP) Opportunities Fund. Cambria's solicitor has reviewed the documentation and it has been submitted to CCP for their review. The first capital call should take place in January of 2018. At the last meeting, a motion was made to approve the Investment Policy changes in relation to adding Private Debt guidelines. A new motion is needed to adopt the policy.

- Motion was made by Ed Cernic to adopt the revisions of the Cambria County's Employee Retirement Plan Investment Policy statement effective November 4, 2017. Motion was seconded by William Smith. Motion carried. Vote unanimous 5-0.

Scott Blumenthal, Analyst, presented to the Board on behalf of Emerald Advisors. Emerald is headquartered in Leola, Pa and has \$4.9 billion in assets under management at quarter end. Scott advised that the only change to Emerald's team recently was that John Thompson, Senior Vice President, left the firm to pursue other entrepreneurial opportunities. He was replaced by Steve Hamilton. Steve Hamilton has over eighteen years' experience in the intuitional investment industry, most recently as Vice President of Franklin Templeton Investment. Cambria County is invested in the small cap growth product with Emerald. Since inception (Dec 2012) the net performance is 17.70% versus the Russell 2000 growth return of 14.99% and year to date 22.89%

versus 20.98%. The leading sector performances of the 3rd quarter were producer durables and energy. Healthcare and technology also had very nice returns.

Michael Bloomberg, Portfolio Manager/Research Analyst, presented to the Board on behalf of Miller Howard. Miller Howard is headquartered in Woodstock, NY specializing in master limited partnerships (MLPs) and has \$6.5 billion of assets under management. At quarter-end, the dividend yield is 7.1% and three year annualized dividend growth is 5%. The fund held seventeen MLP's at quarter-end with 88% of these holdings declaring a dividend increase in 2017. Miller Howard believes that the portfolio income is going to grow by another 5% in 2018. The original investment with MLPs is off about 10-12%. Ed Cernic requested to see how much interest and dividends were posted to the account. Frank Burnette will provide a report.

- Motion was made by Ed Cernic to accept the Emerald Advisor and Miller Howard reports. Motion was seconded by William Smith. Motion carried. Vote unanimous 5-0. Motion carried.

New Business:

1. Motion was made by Ed Cernic to keep the interest credit at 4.75% on employee contributions for 2018. Motion was seconded by Mark Wissinger. Motion carried. Vote unanimous 5-0.
2. Discussion was held on a cost of living increase for 2018. Ed Cernic stated he feels that the fund is not at the appropriate funding level for that to be considered.
 - Motion was made by Ed Cernic that no cost of living increase be given for 2018. Motion was seconded by William Smith. Motion carried. Vote unanimous 5-0.
3. Motion was made by Ed Cernic to adopt the 2018 Retirement Board meeting schedule as presented. Quarterly meetings will be held at 10:00 a.m. on Mondays - February 12, May 14, August 20, and November 5th. Monthly meetings will be held immediately following the 10:00 a.m. Commissioner's meetings on Thursdays - January 25, March 15, April 12, September 13, and November 5th. Monthly meetings for June 21 and July 19 will be at 10:00 a.m. The monthly meeting for October 11th will be at 1:00 p.m. All meetings will be held in the Commissioner's Meeting room, 3rd floor. Motion was seconded by Mark Wissinger. Motion carried 5-0.
4. 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: Mark DeBalli and Marceen Hawksworth. Motion was seconded by William Smith. Motion carried. Vote unanimous 5-0.
5. The Controller's office received the PA County Pension Plan Report from Korn Ferry for informational purposes. If anyone is interested the report is available.

The next Retirement Board meeting will be held on Thursday, December 21, 2017 immediately following the 10:00 a.m. Commissioner's Meeting in the in the Commissioner's Meeting room 3rd floor.

Motion was made to adjourn the meeting by William Smith. Meeting adjourned at 11:36 a.m.

Ed Cernic, Jr.