

Retirement Board Meeting
May 14, 2018

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

Pledge of Allegiance

Commissioner Smith called the meeting to order at 10:04 a.m.

Motion was made by Lisa Kozorosky to approve the minutes from the Retirement Board meeting held on April 12, 2018. Motion was seconded by Ed Cernic. Motion carried. Vote unanimous 3-0.

Ed Cernic reviewed the retirement summary. There are currently 1,109 retirees as of May 9, 2018. April's retirement payroll was \$1,126,748.00.

Mark Wissinger arrived at 10:05 a.m.

Diana Karpen introduced Dennis Hunt to the Board. He is new to Ameriserv and will be the backup contact for Diana. Diana provided the Ameriserv Report. As of close of business on Friday May 11, 2018 the value of the fund was \$201,572,313.81. All managers are under the 3% cash balance threshold with the exception of CS McKee. The \$800,000.00 will be distributed from CS McKee soon bringing that cash balance down. Motion was made by Ed Cernic to accept Ameriserv's report. Motion was seconded by Mark Wissinger. Motion carried. Vote unanimous 4-0.

Frank Burnette advised that it has been an interesting year so far, performance has struggled somewhat as the overall markets have adjusted. The valuations got so high after the tax credit announcement last year that in January they were 19x earnings. There was no doubt that the earnings were going to accelerate and be positive for the market. Earnings are still trading way above normal. Normal is 16 which translates into a 6% earnings yield. As of March 31, 2018 the total Fund's equity weighting was 64.8% versus its target equity weighting of 60%. Risk assets include equities, MLPs and private equity as a % of the total Fund equaled 75.2%. The total Fund's 1st quarter 2018 gross return was -1.08% versus the benchmark return of -1.09%. The Fund's 3.5% allocation to energy midstream MLPs have been impacted by lower energy prices. Miller Howard's 1st quarter return was -8.80%. This Board has previously authorized the Consultant and Controller to liquidate this investment at their joint discretion. This manager remains on "watch status". A distribution from Ironsides Co-Investment III Fund in the amount of \$3,538,461.35 was received in mid-April. This distribution was a result from the sale of MPI Research Inc. Two more distributions are expected by year-end. Frank provided a brokerage analysis. The fund paid \$53,583.39 in brokerage commissions last year. The cost of doing this is about as competitive as we are going to get.

Tom Chernisky arrived at 10:15 a.m.

Jeff Davidek, Senior Vice President from CS McKee, presented to the Board. Jeff advised that fixed income is not a particularly exciting environment as interest rates have dropped off since 2016. The ten year treasury is at 3% today. CS McKee has continued outperforming for every period moving ahead of our benchmark. However, this year absolute returns are negative. The update through Friday's close has the account over the last twelve months -0.03% versus the benchmark of -.055% for Barclays US Intermediate Government Credit index. By being in a shorter duration than it is doing a better job protecting the County's assets and providing liquidity. January was a great month for stocks but February was a terrible month for stocks. The portfolio held its value through that time period. The majority of the County's portfolio with McKee is in an effective duration of just four years. Therefore, it protects better as rates rise. Yield to maturity has been increasing. The average yield to maturity for the bond portfolio is at 2.99% for the next four years. However, how we get to that 2.99% annualized is going to fluctuate. The composition of the portfolio is heavily underweighted in US Treasuries. Ed Cernic asked Jeff in his opinion is there anything the Board can do to still stay within the policy to refine this to get other opportunities for growth in fixed income? Jeff advised that the inclusion of the high yield portfolio is smart because high yield traditionally holds up better when the rates rise. The high yield however is not as protective of an asset class during a recession.

Frank Burnette thanked the Board for the account for the last seven years and stated he really enjoyed it. The relationship was good for Morrison and he hoped it was good for Cambria County.

- Motion was made by Ed Cernic to accept Morrison and CS McKee's reports. Motion was seconded by Tom Chernisky. Motion carried. Vote unanimous 5-0.

Ed added that on behalf of his office it has been a pleasure working with Frank and his staff over the years.

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 May retirees: Debra Enos, Christina Abrams, Joyce Weber, Christine Dumm, Allen Kline and Barry Tresnicky. Motion was seconded by Mark Wissinger. Motion carried. Vote unanimous 5-0.

The next Retirement Board meeting will be held on June 21, 2018 at 10:00 a.m. Commissioner's meeting room, 3rd floor.

Motion was made to adjourn the meeting by Mark Wissinger. Meeting adjourned at 10:55 a.m.

Ed Cernic, Jr.