Retirement Board Meeting
February 19, 2019

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

Pledge of Allegiance

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

Motion was made by William Smith to approve the minutes from the Retirement Board meeting held on January 10, 2019. Motion was seconded by Lisa Kozorosky. Motion carried. Vote unanimous 4-0.

Kristine Segear reviewed the retirement summary. There are currently 1,121 retirees as of February 18, 2019. New to the report is the number of retirees and spouses on County healthcare. Currently, there are 467 retirees and 186 spouses receiving health care.

Thomas Chernisky arrived at 10:09 a.m.

Diana Karpen and Dennis Hunt attended the meeting. Diana advised the Board as of the close of business on Friday February 16, 2019 the value of the fund was $195,452,446.98. All managers with the exception of Emerald and C.S. McKee are under the 3% cash balance threshold. C.S. McKee will be transferring $800,000.00 this week. Lisa Kozorosky questioned why Emerald was higher than 3%. Pat Wing advised that they are within history range and because of the market volatility they may be holding a little more than they normally do to be able to deploy the monies when they see fit. Diana Karpen reported to the Board the proceeds from securities litigations for 2018 totaled $35,816.82. Diana reported that Foreign Tax Withholding costs for 2018 were $2,056.81. In addition, Diana reported that Broadridge, a vendor that Ameriserv uses for filing class action claims, received a check in the amount of $3,159.44 for litigation proceeds from Rentrak Corporation Shareholding Litigation. As soon as the money is received it will be posted into the Emerald sub-account. Broadridge was advised that Kessler, Topaz, Meltzer & Check handles filing claims on behalf of Cambria County.

Pat Wing, Marquette Associates, provided an economic summary to the Board. The U.S. economy decelerated in the 3rd quarter with growth continuing to slow in the 4th quarter. Despite slower economic growth, the labor market continues to tighten. Over 300,000 jobs were added in January and the unemployment rate is still hovering at 4%, which is at multi decade lows. Also, average hourly earnings and income is rising at a faster clip for U.S. consumers. Both of these facts have driven markets in the 4th quarter. The Federal Reserve raised short term rates in December for the fourth time. The Fed is now signaling only two additional hikes in 2019. Pat reviewed with the Board the asset class returns. The U.S. Equities, International Equities and Emerging markets were in the red for the 4th quarter. The interesting dynamic about this is that those investments that did very well through the 3rd quarter were hit the hardest in the 4th quarter. Value stocks, which are a more conservative approach, provided downside protection in the 4th quarter. The changes that were made after the August meeting also provided downside protection. The fixed U.S. bonds were up 1.6% for the 4th quarter compared to -5% for high yield bonds. FNB and CS McKee make up the majority of fixed income. The allocation to Chartwell is also a more conservative approach in a risky market and also provided protection.

Patrick Kennedy, Portfolio Specialist, from Integrity presented to the Board. The market value as of January 31, 2019 was $9,327,440 and returns year to date were 11.92% vs. the Russell 2000 Value index of 10.94% gross of fees. One year returns were -8.81% vs. -4.51%. In 2018, financials, industrials and energies did not do well. With the benefit of hindsight it would have been more prudent to dial back from those investments. From the energy standpoint coming into 2018 the thought was that the oil commodity was mispriced and that it was bound to appreciate. Poor stock selection in energy and too much exposure in the permeant basin contributed to energies not doing well. After that Integrity became more diversified in energy which helped slightly in the 4th quarter and 1st quarter of 2019. They were also over weight in industrials which was a big impact and the rhetoric of the trade war headline also affected industrials. The only sector that returned anything in a positive light during the 4th quarter was utilities, which would have been too expensive to get in at that time. Integrity is optimistic as to how they are positioned now going forward. The goal of Integrity is to outperform over a market cycle.

Pat Wing then provided the Board with additional information on the portfolio. The market value as of December 31, 2018 was $182.3 million. The portfolio returned -9.6 (net) vs. the policy index of -9.4 during the 4th quarter of 2018. The positive attributions for the quarter were the international equity manager changes made and the private equity and credit allocations. The negative attributions for the quarter were the portfolio was overweight to U.S. equities and most active equity and fixed income managers' underperformed. Pat reviewed the portfolio changes that were made during the 4th quarter. These changes not only helped the fund, but saved on fees. Looking ahead, Marquette will be discussing an asset allocation review. The return of -9.6% was closer to the lower end of their PA county clients and one of the reasons is the assets that Cambria are in are a bit more aggressive than other PA counties. Currently there is a disconnect in the investments and the liabilities. Right now the fund is more aggressive on the asset side and from the liability perspective the fund is more conservative. The majority of counties are still using the 7.5% assumed rate of return, whereas Cambria County lowered the assumed rate of return to 7%. The lower the rate means a more conservative approach. The disconnect needs to be resolved and that will be one of the recommendations we are bringing to the Board. Pat reviewed the target policy vs. the current policy. Equities are around 60% of the portfolio which is in line with other counties. The difference is in the non-traditional fund. Currently the target policy of non-traditional funds is at 10% vs. the current of 8.1%. The non-traditional fund is made up of 5% private and 5% private debt; which are really public equity substitutes bringing the total equity to 70% of the portfolio. From a fixed income perspective, nearly all the fixed income is conservative in nature but Chartwell. Adding Chartwell to the equities brings the fund to 72% equities and 28% fixed income. Again this is more aggressive than peers. To resolve these asset allocation issues, Marquette is recommending new asset allocations and making a commitment to a new private equity fund. Marquette's recommendations are changing the policy for U.S. Equity from 48% to 45%, adding 5% core real estate, reducing the private equity/private credit from 10% to 8% and increasing the non-traditional investments from 10% to 13%. The change would generate more consistency and less volatility. Marquette is also recommending making smaller commitments to private equity. Historically, the Fund has committed $10 million to Ironsides Co-Investment III and $10 million to Ironsides Opportunities Fund through the manager Constitution Capital Partners. Making smaller commitments allows for more diversification. Marquette is recommending that the Board make a decision today to make a $5 million commitment into the new fund Ironsides V that is managed by Constitution Capital Partners. Moving forward, Marquette would then bring in managers for the Board to hear presentations on the core real estate and then subsequent to that making changes to the policy statement.

- Motion was made by William Smith to approve the recommendation from Pat Wing, Marquette Associations, to invest $5 million to Ironsides Fund V. This motion is contingent upon receiving confirmation from Controller Ed Cernic. Motion was seconded by Mark Wissinger. Vote unanimous 5-0. Motion carried.

- Motion was made by Thomas Chernisky to accept reports received from Ameriserv, Integrity and Marquette. Motion was seconded by William Smith. Motion carried. Vote unanimous 5-0.

Old Business:

1. Kristine Segear reported to the Board that the lump amount owed to retiree Victoria Gjurich is $429.41 and her monthly amount would be adjusted by $0.44. This is a result of her retirement in 1982 being calculated using the incorrect date of birth. Motion was made by Mark Wissinger to approve paying the monies owed to Ms. Gjurich. Motion was seconded by William Smith. Motion carried. Vote unanimous 5-0.

New Business:

1. Kristine Segear advised the Board that Chimicles & Tikellis name has changed to Chimicles, Schwartz, Kriner & Donaldson-Smith LLP.
2. Kristine Segear advised the Board of the upcoming PAPERs conferences: May 29-30, 2019 in Harrisburg and November 20-21, 2019 in Pittsburgh.
3. Motion was made by Thomas Chernisky to ratify the action taken by the Commissioner's office at the recommendation of the Controller's Office on the following February retirees: Mary Leyo, Todd Miller, Judith Laverick and Jane Hagerich. Motion was seconded by William Smith. Motion carried. Vote unanimous 5-0.

The next Retirement Board meeting will be held on Thursday, March 21, 2019 immediately following the 10:00 a.m. Commissioner's meeting, Commissioner's meeting room, 3rd floor.

Motion was made to adjourn the meeting by William Smith. Meeting adjourned at 11:40 a.m.

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Ed Cernic, Jr.