

**THIRD QUARTERLY MEETING
ERIE COUNTY EMPLOYEES' RETIREMENT BOARD**

AUGUST 20, 2015

Members present: Fiore Leone
 Phil Fatica
 Dr. Kyle Foust (via phone)
 Mary E. Schaaf
 James Sparber

Also present: Mark J. Orlop, Controller's Office
 Frank Burnette, Morrison Associates
 Jean Langer, Controller's Office
 Christopher DeGaetano, SEIX Investment Advisors
 Tony Keim, PNC Investments
 Andre Horton, Council

Chairman Leone called the Erie County Employees' Retirement Board to order at 12:06 PM in Room 114A, Erie County Courthouse.

Chairman Leone called for hearing of the public. No one spoke.

Motion to approve the minutes for the Second Quarterly Meeting held May 21, 2015 and the Special Meeting held June 22, 2015 made by Mr. Fatica, seconded by Mr. Sparber and carried unanimously.

Chairman Leone called for the report of Morrison Fiduciary Advisors. Frank Burnette gave the report. Frank Burnette reviewed the economic strategy at this time. Frank Burnette stated that the Fund was up 4.41% year to date as of July 31, 2015, which is up 2.5%. More diversification has been done in this account, which the result is a 57% equity weight versus 61%. He would like to see above 5% at year end.

Mr. Burnette recommended the motion of termination of Wentworth Houser Investments at this time. For the time being, the funds from Wentworth would be moved into the County's existing second foreign equity manager (Templeton) to allow termination now and discuss future proceedings. Mr. Leone entertained this motion to do so and this motion was made by Mr. Sparber and seconded by Mr. Fatica and carried unanimously. Ms. Schaaf commented at this time that Templeton has outperformed the index and she had no reservations of moving into that fund. Ms. Schaaf asked at this time, regarding the fee of 80 basis points (70 to Templeton and 10 to relationship); if an additional \$11 million is given can this fee be reduced? Mr. Burnette stated he could ask about the fee.

Mr. Burnette proceeded to discuss that he does not feel comfortable about having one foreign equity manager after this termination of Wentworth and he would like to look for an additional foreign equity manager. He would like a manager with a value tilt to it. The question now is whether to have a full RFP or have Frank survey the market for options to arrive with a specific recommendation. Chairman Leone stated that he had no

problem with Frank coming up with a recommendation, but feels that the board needs to vote on the recommendation. Mr. Leone asked for objections at this point and there were none. Mr. Burnette stated that he would proceed with getting options together at this point and end up with a firm recommendation.

Mr. Burnette stated that an adjustment was made to the SEIX Variable Rate Loan Fund and is now a Reduced Fee Asset Class. This saves on fees.

Mr. Burnette gave an update on Securities Lending with the Bank of Montreal at this time. BMO has \$30 million lent out; it will take time to get the full amount lent out. Initially, there was a \$25 million Treasury Book that they thought they would lend out but they are not getting the full rate at this time, so Mr. Burnette is disappointed in this. The proceeds from this are being invested in the JP Money Market Fund and later will buy pieces of securities.

At this time Christopher DeGaetano from SEIX Investment Advisors began his presentation on variable rate and high yield assets and allocations. Ms. Schaaf asked for the presenter to review energy holdings at the end of the presentation. Mr. DeGaetano reviewed the holdings for energy at this time. Ms. Schaaf asked specifically about the ratings and Christopher answered yes that they are focused on double B and single B portion of the market. Mr. Burnette stated that the issuers of the loans could be a B or double B, the actual loans we are invested in become senior in the structure and falls into a secure position, but the variable rate loan position is higher. Frank asked about high yield and the answer is that the basis point difference at this time, the risk reward is not there at this time.

Frank Burnette spoke about diversification of the portfolio at this time and reviewed the utilized the MLPs with Miller Howard who presented about 18 months ago. Mr. Burnette asked for a motion to take action at this time. Chairman Leone stated that he would like to have another meeting to discuss this subject.

Mr. Leone stated that we have one attorney firm (Kessler, Topaz) at this time that does the securities litigation for the Fund, but Mr. Leone would like an additional attorney firm. Mr. Leone would like to have another Special Meeting with a presentation from a different firm.

Ms. Schaaf commented that she agrees with the consultant regarding diversifying the portfolio at this time with the MLPs due to their more favorable price vs. 18 months ago.

Chairman Leone stated another meeting would be held in two weeks. Frank asked that all information given at this meeting be brought to the special meeting.

Adjournment at 12:35 P.M.



Mary E. Schaaf, Secretary

Erie County Employees' Retirement Board

Pleasant Ridge Manor Employees' Retirement Committee, jml