

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

NOVEMBER 19, 2015

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

Also present: Mark J. Orlop, Controller's Office
Frank Burnette, Morrison Associates
Jean Langer, Controller's Office
Donald Broggi, Scott & Scott LLP
MariJane Angels, Scott & Scott LLP
Greg Ferrica, PRM
Deanna Holtz, PRM
Jack Walburn, PRM
Gary Gustovich, Dimensional (DFA)
Christopher Dall, PNC
Melissa Grucza, PNC
Karen Dorich, Erie County Retirees
Cindi Marzka, Northwest Retirement Svc.
Kevin Plymyer, First National Bank
Ray Reade, Erie County Retirees
Doug Smith, Erie County
Michael Keim, RBC/Boston Advisors

Chairman Leone called the Erie County Employees' Retirement Board to order at 12:15 PM in Room 114A, Erie County Courthouse.

Chairman Leone called for hearing of the public. Ray Reade, President of the Erie County Retirement Association, thanked the Board for its good stewardship. Mr. Reade spoke regarding Cost of Living Adjustment (COLA) for the retirees' and pending legislation regarding the approval of COLA's. He vowed to bring House Bill 239 which would allow the granting of a COLA without retroactivity to next November's Pension meeting.

Motion to approve the minutes for the Third Quarterly Meeting held August 20, 2015 and the Special Meetings held on September 9, 2015, October 1, 2015, and October 15, 2015 made by Dr. Foust, seconded by Mr. Fatica and carried unanimously.

Chairman Leone asked for the approval of the interest rate for the Erie County Employees' Pick-up Contribution and recommended the 4% rate. Moved by Dr. Foust and seconded by Mr. Sparber and the motion to grant 4% carried unanimously.

The report for Northwest Retirement Services was given at this time by Cindi Marzka. Chairman Leone asked that Ms. Marzka explain GASB 67 & 68 during this report. Ms. Marzka reviewed the actuarial plan at this time and the Actuarial Valuation. The purpose of this valuation is to monitor the funding status of the plan and to determine the actuarial required contribution for the plan year. The valuation in 2015 it was determined that the plan is still in an undervalued position and the annual required contribution for 2015 is 4.3 million dollars. This equates to around 10% of payroll. Ideally, the contribution range should be in the range of 5 to 6%. The 4.3 million is made up of cost of benefits that are accruing for active members and the other part is payment toward the underfund. The ARC for the following year for 2016 it is expected to increase. Ms. Marzka explained at this time, the requirements for GASB 67 & 68. Ms. Marzka stated that no COLA study was performed this year due to being in a transition period with COLA legislation. She explained that the new GASB rules require that the net pension liability be stated on the County's financial statements. Mr. Leone if GASB 67 & 68 would affect the county liability and bond rating. Ms. Marzka stated that she does not believe it will. Ms. Schaaf noted that the mortality table from 2000 was still being used by Northwest for the Erie County Pension calculations, however, other PA counties are using a 2012 or 2013 table because people are living longer. Ms. Marzka stated that they are in the process of doing a study to verify that your assumptions are in line and even though the label states "2000", there are factors built in and updated through 2015 for mortality improvement. Ms. Marzka stated that the current tables have controversy regarding them and they need further examination to see what their impact may be. Ms. Schaaf asked about the \$53,000,000 County liability for Post-Retirement Benefits (healthcare) and if the new GASB rules would require it to be stated on the County's financials. Ms. Marzka explained that it is not currently on the balance sheet but probably will be required in the future.

Fiore Leone called for the approval of the 2016 dates for the quarterly retirement meetings at this time. Motion approved by Phil Fatica and seconded by Dr. Foust and carried unanimously.

Chairman Leone called for the report of Morrison Fiduciary Advisors. Frank Burnette stated that the fund was up 4 to 5% this year and in three years has averaged 8.57%. Mr. Burnette stated that this fund is meeting actuarial expectations.

Chairman Leone called for the report of Boston Advisors at this time.

Prior to report, Frank Burnette stated that Wentworth was terminated and the American Fund was funded in late October and the Miller Howard fund and energy partnership securities lending should be at full speed by year end. Mr. Burnette explained that DFA fees will be lower going forward because DFA is now in a direct partnership with the Pension without an additional consulting fee. Mr. Burnette does have a proposed investment policy for review for the attorneys prior to approval at next meeting. The consultant stated that Ms. Schaaf had brought to his attention two Large Cap Managers (Philadelphia Trust & C.S. McKee) who are struggling and haven't been beating indexing in the last years. Chairman Leone stated that a Notice should be sent to both Philadelphia Trust & C.S. McKee to let them know if their performance doesn't improve that we will look at other investment managers in that area. Ms. Schaaf stated that these two managers have been on the Pension's watch list since 2013. Chairman Leone then asked

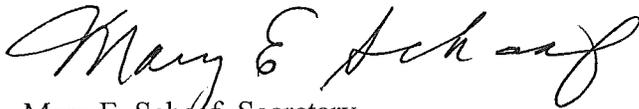
that a recommendation be made by the consultant by the next meeting regarding these two managers.

Mr. Keim began his report at this time for the Boston Company's Large Cap Equity Manager. He stated that at the end of September 2015, market value was \$7,895,000, which was down from \$8,597,000 and had a total weighted return of a -7.29 compared to a -6.44 for the S&P 500. The negative numbers are just a change in market value and do not affect the realized gains over the years. Mr. Keim stated that they have reached and gone beyond benchmark since 2004.

DFA representative Gary Gustovich, gave his report on the US Large Cap ValuePortfolio at this time. It was stated that this portfolio has outperformed benchmark since 2006 (1.4% YTD).

Frank Burnette recommended having a second attorney firm for securities litigation for the Fund and Scott & Scott gave their presentation at this time. Donald Broggi and MariJane Angels gave this presentation. Chairman Leone reminded the board that other counties have as many as three attorneys. Ms. Schaaf asked what "Limited in Scope" means. Mr. Broggi stated that this means that they provide monitoring services and they do not automatically litigate cases. Being retained to litigate a case requires a separate litigation fee and Board approval. Mr. Broggi, stated that they would only provide monitoring services. Chairman Leone asked if there would be conflicts between the two attorney firms and Mr. Broggi stated it would be whichever firm alerts first who will perform the case. Chairman Leone said that the County Solicitor should look at everything and determine any further action at the next Retirement Board Meeting.

Adjournment at 1:23 P.M.



Mary E. Schaaf, Secretary
Erie County Employees' Retirement Board
Pleasant Ridge Manor Employees' Retirement Committee,

jml