

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

**FEBRUARY 18, 2016**

Members present:     Fiore Leone  
                              Andre Horton  
                              Dr. Kyle Foust – via telephone  
                              Mary E. Schaaf  
                              James Sparber

Also present:         Tony Keim, PNC Bank  
                              Melissa Grucza, PNC  
                              Cindi Marzka, Northwest Retirement Services  
                              Kevin Plymyer, First National Bank  
                              Greg Ferrick, Pleasant Ridge Manor  
                              Rita Yannayon, AFSCME  
                              Mark J. Orlop, Controller's Office  
                              Jean Langer, Controller's Office  
                              Mike Ruffa, Controller's Office  
                              Doug Smith, County Clerk  
                              Jess Jiuliante, County Employee  
                              Mickie Baiera, County Employee  
                              Frank Burnette, Morrison Associates  
                              Joe Conroy, Wells Fargo  
                              Don Graham, Wells Fargo  
                              Solicitor Thomas Talarico

Chairman Leone called the Erie County Employees' Retirement Board to order at 12:11 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 Fourth Quarterly Meeting held November 19, 2015 made by Mr. Horton, seconded by Mr. Sparber and carried unanimously.

Chairman Leone called for the report of Morrison Fiduciary Advisors. Frank Burnette stated that since Christmas Eve 2015 until the first week of February 2016, the market has traded down about 12%. Globally, growth is expected to be in the 3% range this year and similar for next year. This fund is down about 3%. Mr. Burnette stated that the Bank of Montreal Securities Lending Program is up and running at full speed. In the startup phase in 2015 the revenue generated was \$50,000 and in 2016 return is expected to be \$150,000. This is lower than original projections. Mr. Burnette states that the investments in this fund look stable. Mr. Burnette states that there is an update to the Investment Policy as Exhibit A in the packets and the Fund solicitor has reviewed it. The Scott & Scott litigation monitoring contract is being reviewed by the Fund solicitor. In the fourth quarter, the Seix Variable Rate Loan Portfolio was

eliminated due to its high exposure to the energy sector. Mr. Burnette stated that last meeting, the Board voted for Boyd Watterson's Government Lease Program Real Estate Fund. This funding occurred on February 1, 2016.

The asset allocation in the Fund rather conservative, only 53% equities, which is the lowest equity rating we have had in the portfolio in seven years. The portfolio was de-risked a couple times in 2015 and it is a good time to be lighter in the equities. We have one portfolio holding which is a disappointment so far, which is Miller Howard MLP Energy Partnerships (5% of the holdings) in 2015. This asset class is down about 20% from purchase.

Frank Burnette stated that there was a termination of 2 Large Cap Core Equity Managers and the last meeting the Board asked for suitable replacements. Mr. Burnette stated that he received 35 proposals and narrowed it down to about 4 or 5. He recommended that Board approve an investment with Golden Capital Management Enhanced Index Large Cap Equity Account for 10 million dollars. Golden Capital fee is a proposed 30 basis points. Disclosure – Golden Capital Management is 65% owned by Wells Fargo Capital Management and they have a local office in Erie. Chairman Leone called for approval of hiring Golden Capital Management. Motion by Dr. Foust, seconded by Mr. Sparber and it carried unanimously.

Chairman Leone called for the approval of \$ 2.5M going to Boston Advisors (existing manager) as recommended by Mr. Morrison. Motion by Mr. Sparber, seconded by Dr. Foust and carried unanimously.

Frank Burnette introduced Joe Conroy of the Wells Fargo Small Cap Value Portfolio. Mr. Conroy outlined the firm and its strategy. The Portfolio was \$20.4 million at beginning of the past year with withdrawal of \$1.5 million for rebalancing ending value of \$18.3 million. The portfolio performed up 3.45% for the year. Consistency and risk control are important elements of the portfolio. He spoke of the stocks that are or were in the portfolio as well as their businesses and sector positioning.

Frank Burnette introduced the Templeton Foreign Equity presentation given by Don Graham. Due to the international markets being weak, performance was down. He gave his view of the two major sectors under pressure, the financials and energy sectors. The geographic distribution of the portfolio includes 11 % in emerging markets. The Chinese market and their currency devaluation were analyzed. Chairman Leone interrupted to state that he was not interested in being taught this portfolio's strategy or other portfolios' as every portfolio has a strategy. As far as he is concerned that strategy is what goes up, comes down and what goes down, goes up. He wants a one page report not 10 or 25 pages. He can sit down and read the reports. As far as what you perform, that will be evaluated by the Consultant and then we will let you know how you did. Chairman Leone also stated that he would like to finish these retirement boards within one hour and presenters should be brief from now on. Chairman Leone asked for other Board members to comment. Ms. Schaaf stated that she does enjoy hearing the detail because that gives a picture within the context. She agreed it can be shortened but detail is needed to understand the sectors of the market that we are in and why they are performing or underperforming, however, the individual security detail is not as necessary. She continued that we are very interested in knowing the big picture and we respect the fact that you have traveled this distance

to speak to us. As a knowledgeable fiduciary we have to know some of these things. We cannot just look at the numbers without knowing the context. Mr. Burnette is very good at giving the big economic view but we do rely on the managers to put their style into context and we appreciate that. Mr. Graham concluded his presentation.

Chairman Leone called for the contract approval of Scott & Scott. Atty. Talarico confirmed that he reviewed the contract and it is okay. Mr. Sparber questioned the benefit of a second litigation firm as the Pension already has one. Chairman Leone stated that the county solicitor said it does not make any difference to have two firms. Dr. Foust stated that one benefit is this firm keeps their eyes & ears open for available law suits and if County is eligible, Scott & Scott would become lead litigator. Ms. Schaaf noted that the County's current litigation firm has sent checks totaling close to \$700,000 to the Pension and it has zero cost. In 2013, the current firm, Kessler, Topaz Meltzer & Check, represented the Pension as lead plaintiff against Brocade Corporation at no cost. We not only participated in the settlement but were given \$80,000 by the Court to distribute to three local charities. We are currently involved in three other cases through Kessler Topaz as lead plaintiff at no cost. However, she has no objection to a second firm. Motion by Dr. Foust, seconded by Mr. Horton and carried unanimously.

Chairman Leone called for a motion to approve two disability retirement applications that were approved by the Board Solicitor. Motion by Mr. Sparber, seconded by Dr. Foust and carried unanimously.

Chairman Leone called for the approval of the updated Investment Policy. Chairman Leone stated he was upset with the wording that the fee schedule for local investment managers must be competitive with national non-local managers as he feels that performance should be looked at more than fee schedules. Mr. Burnette agreed that fees are secondary. Chairman Leone stated he would still vote for the updated Policy and asked for a motion for the adoption of the Investment Policy. Motion by Ms. Schaaf, seconded by Mr. Sparber and carried unanimously.

Adjournment at 1:07 PM.



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

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