

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

MAY 19, 2016

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

Also present: Cindi Marzka, Northwest Retirement Services
 Tony Keim, PNC Bank
 James Bailey, PNC Bank
 Melissa Grucza, PNC
 Kevin Plymyer, First National Bank
 Greg Ferrick, Pleasant Ridge Manor
 Mark J. Orlop, Controller's Office
 Jean Langer, Controller's Office
 Frank Burnette, Morrison Associates
 Deedra Pfeffer, Pleasant Ridge Manor
 Marcel Mallory, Corrections
 Chelsea Westhoff, Vanguard
 Rob Gronda, MEPT

Chairman Leone called the Erie County Employees' Retirement Board to order at 12:09 PM in Room 114A, Erie County Courthouse.

Let roll call show members present, James Sparber got to meeting at 12:10 PM due to jury duty.

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

Motion to approve the minutes for the First Quarterly Meeting held February 18, 2016 made by Dr. Foust, seconded by Mr. Horton and carried unanimously.

Chairman Leone called for the report of Morrison Fiduciary Advisors. Frank Burnette gave the report. Mr. Burnette stated that the Bank of Montreal is now up to full speed, the current revenue rate is up to \$185,000 a year, which was within their range and predicted. At this point, Mr. Burnette has no concerns with Bank of Montreal. Mr. Burnette asked if the contract with Scott & Scott for securities litigation was still in process. Mary Schaaf replied that it was done. PNC asked the board to update their original contract, which dates back 15 years ago, which was an old bank trust contract. Mr. Burnette and Mary Schaaf told PNC that they would run the proposed contract through the pension solicitor's office and some changes were made. At this point, Frank Burnette stated that he and Atty. Tom Talarico, Board Solicitor, approved the PNC contract and it is ready for execution. The new contract was updated to include PNC money management unit verbiage as opposed to the PNC Bank. Frank Burnette stated that in Atty.

Talarico's absence, he and Mary Schaaf, under Atty. Talarico's recommendation, recommend that the PNC contract be approved. Chairman Leone asked if this contract needs approval now. Frank Burnette stated that it does need to be board approved. Chairman Leone stated that rather do it at this meeting, he will wait until the next meeting in order for all member's to see copies of it before approval. At this time, Chairman Leone commented on the performance of the money managers and highlighted the underperformance. He realizes the difficulties in the markets but the managers' performance is not stellar. Ranking in the 91st percentile and falling below the guidelines is not acceptable. Chairman Leone stated that if the current money managers are not paying enough attention to our funds, then the board will look into getting new money managers that will pay attention. Chairman Leone stated that he spoke with Cindi Marzka prior to this meeting and noted that the retirement fund had to have a historical return of 7 – 7 ½ % in order to break even. Currently, we need a profit of 8.3% to break even. Chairman Leone also spoke with Cindi about GASB 45 and the fringe benefits from the retirement, and this reflects on the bond ratings. As long as you have to report it, and it has to be a liability, then it reflects on our bond ratings and Chairman Leone feels this is entirely wrong.

Frank Burnette introduced Chelsea Westhoff of Vanguard Group. Ms. Westhoff gave the report for both PRM and Erie County. PRM is using Vanguard for two index funds and 20% of Erie County is invested with Vanguard. Ms. Westhoff stated that the quarter was volatile and domestic equity dropped in beginning of quarter and then came back. Across the board, the fund outperformed peers and was in line with benchmark. On the fixed income side, they outperformed peer and benchmark. Mary Schaaf congratulated Ms. Westhoff and Vanguard, since switching over 2 years ago, and Vanguard's performance compared to other areas has been some of the best in the portfolio.

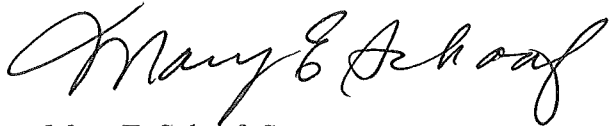
Frank Burnette introduced the Multi-Employer Property Trust (MEPT), Bentall Kennedy Real Estate Trust presentation given by Rob Gronda. Mr. Gronda stated that this fund is a little more conservative than peer groups, but considers this to be moderate leverage. He stated that Erie County came in 5 years ago with an initial investment of 2.5 million dollars and have earned 11.14% annualized return and market value stands at 4.5 million. In 2015 there was a 13% return. In the trailing four quarters 12.83% return. The first quarter 2016, our return was 2.97%, which were 76 basis points above peer groups. Over the past 12 quarters, MEPT has outperformed their peer index 50% of the time. The target for the year is 8 – 10%. In 2015 the target was 8 – 10% and they delivered 13%.

Frank Burnette mentioned the Miller Howard Energy Investment and with the energy market doing what it has done, and that fund is currently down about 10% from where we originally made those investments. It had been down 25% sometime in February and significantly caught up. Mr. Burnette stated that in this situation to ignore the market value and stick with the fundamentals and we should thrive and is temporary. Dr. Faust asked when does "temporary" end. Mr. Burnette stated that they have to look at 3-5 years and we have been in for 1 ½ years, so another year and a half.

Chairman Leone called for a motion to approve a disability retirement application that was approved by the Board Solicitor. Motion by Dr. Foust, seconded by Ms. Schaaf and carried unanimously.

Mary Schaaf pointed out the litigation article regarding Erie County Pension, lead plaintiff, against Kenneth Cole Company represented by Kessler, Topaz, and Metzler, the Board's original litigation firm. The case set new precedent in the New York Supreme Court for appeal since the Court only approves these matters in extreme circumstances.

Adjournment at 12:46 PM.

A handwritten signature in cursive script, reading "Mary E. Schaaf".

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

jml