

**SPECIAL MEETING
ERIE COUNTY EMPLOYEES' RETIREMENT BOARD**

JUNE 16, 2016

12:00 P.M.

Members Present: Fiore Leone
 James Sparber
 Dr. Kyle Foust

Members Absent: Mary Schaaf
 Andre Horton

Also Present: Mark Orlop, Controller's Office
 Frank Burnette, Morrison Associates
 Cindi Marzka, Northwest Retirement Services
 Katie Gunter, Northwest Retirement Services
 Deanna Holte, PRM
 Greg Ferrick, PRM

The Special Meeting of the Erie County Employees' Retirement Board was called to order at 12:02 P.M., in Room #114A, Erie County Courthouse. Roll call was taken and two members were absent, which were Andre Horton and Mary Schaaf.

No one spoke at the hearing of the public.

Motion to approve the minutes for the Second Quarterly Meeting for Erie County Employees' Retirement Board and Pleasant Ridge Manor held May 19, 2016 made by Dr. Foust, seconded by Mr. Sparber and carried unanimously.

Chairman Leone called for the annual report of the County Pension Brokerage Activity. Mr. Burnette of Morrison Fiduciary stated that trends in the industry have led to trading being executed almost for free and that last year the total commissions paid were \$84,000. Fixed Asset execution costs appear to be under control, also. The fee schedule for all money managers was reviewed at this time. Mr. Burnette states that this also has trended downward due to indexing and the larger size of the funds. The total fees in the account are at 48 basis points, including all actuarial fees, administrative fees, consultant fees, custodial fees, etc. It would be lower but the Real Estate Funds are on the more expensive side. Large cap equity fees are now ¼% of a percent when they use to be ½ or ¾% they were in the past.

At this time, Mr. Burnette went over the updated PNC contract and explained the new wording is due to PNC Bank becoming PNC Wealth Management. Solicitor Talarico has reviewed it and recommends approval of this new contract. Chairman Leone commended Mr. Burnette for his work as the Pension Consultant. Motion for approval of the PNC contract was made by Dr. Foust and seconded by Mr. Sparber and carried unanimously by all members that were present.

At this time, Cindi Marzka from Northwest Retirement Services began the presentation on actuarial services. Ms. Marzka asked Frank Burnette if there was anything else and he stated nothing specific at this time or on agenda for Pleasant Ridge, but did note that

YTD the fund is up 3.07%. Chairman Leone praised Mr. Burnette for his work again and stated that Mr. Burnette is not paid for his work on the Pleasant Ridge Manor Pension.

Chairman Leone called for a motion to adjourn. Mr. Burnette stated at this time signatures were required for the PNC contract. Mr. Burnette stated that this special meeting was really for Northwest Actuarial services to review key actuarial issues. Cindi Marzka from Northwest stated they provide actuarial services for both the County Plan and the Pleasant Ridge Manor Plan Pension preparing five different evaluation reports. Ms. Marzka stated that Pleasant Ridge's plan is a partially frozen plan, in 2011 the plan was frozen for new people coming in and was grandfathered for a select group with age and service requirements for non-bargaining. The bargaining group is still receiving benefits under the plan. The member's whose benefits were frozen are receiving a 457 plan currently. Also noted by Ms. Marzka is that the plan is 100% funded. Pleasant Ridge is not a governmental plan like the County. The 2016 annual required contribution is \$1.1 million. Pleasant Ridge is considered to be a private sector plan. Atty. George Joseph has asked the IRS to reclassify the Plan as a government plan. If reclassified, the expensive annual insurance premium currently \$245,000 paid to the PBGC could stop and 6 years of previous premiums totaling about \$800,000 could possibly be refunded. Ms. Marzka expressed her opinion that a reclassification was unlikely due to a halt by the IRS for governmental reclassifications currently.

Cindi Marzka began her presentation for the Erie County plan. This is a governmental plan and covers all employees of Erie County. There are 2000 members with over 700 retirees so it is a very mature plan. The liability for this plan is close to \$250 million with half of that liability for the retiree group. The market value of the investments at 1/1/16 is \$230 million so the net liability is \$15.9 million. This plan is currently 93.5% funded plan, not fully funded. Total liability is \$265 million in present dollars and future payments and \$246 million has been earned so far so it is an underfunded plan by \$12 million. The annual required contribution for 2016 is \$4.3 million. Chairman Leone asked how many members the County Pension has that will still continue to receive post-retirement health benefits. Cindi Marzka answered that we have 145 active members that are going to be eligible to receive medical in the future. Chairman Leone asked how many do we have already. Ms. Marzka answered just fewer than 500 retirees that currently receive medical, plus another 200 to 300 dependents that receive medical coverage through the program. And an additional 40 terminated vested employees also that will receive medical in the future. Per GASB 67 & 68, the current pension liability is \$15.9 million which goes on the County financial statements.

The last report Cindi Marzka went over is the post-retirement medical report. There are current and future retirees of Erie County that are entitled to medical benefits once they retire. 145 people are covered by this plan that will still be eligible in the future. 43 terminated participants and 465 current retirees will receive these benefits. An additional 200 some dependents of those retirees that are also receiving these benefits. The total liability for providing this is \$50 million. These people are people who were hired prior to the 1992 deadline and are your longer service people and most are already receiving this benefit. The \$50 million liability is not currently on the County's financial statements but will be required to be listed on the 2018 County Financials per GASB.

It was noted that Pleasant Ridge retiree medical coverage covers the retiree from the time of retirement until they are eligible for Medicare, so it's a shorter period of time compared to the County's which pays both (under 65 and over 65). Chairman Leone asked if the same medical benefits provided to Pleasant Ridge retirees would be

beneficial for the County as well (paying for medical from age 60 to 65) and what position that would put the County in. Cindi Marzka stated that she could look at that, but the medical liabilities are significant and if it was offered, first the liability for that needs to be determined and where that flows in the financial statements overall countywide. Chairman Leone asked for a chart showing if we offered that service, how many would be eligible for benefits even after age 65 and if so many retired, what the difference would be because we would also be looking at a significant number of people retiring and new people that would start out at a lower salary than what present employees get currently. Dr. Foust commented that the only way offering this early retirement benefit would save money is to not re-hire the employees in those positions.

Adjournment at 12:46 P.M.

A handwritten signature in cursive script, appearing to read "Mary E. Schaal".

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

jml