

**FOURTH QUARTERLY MEETING
Erie County Employees' Retirement Board**

November 17, 2016

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

Also present: Richard Nelson, County Retiree
 Cindi Marzka, Northwest Retirement Service
 Tony Keim, PNC Bank
 Deedra Pfeffer, Pleasant Ridge Manor
 Susan Potter, Pleasant Ridge Manor
 Deanna Helmbreck, Pleasant Ridge Manor
 Greg Ferrick, Pleasant Ridge Manor
 Ray Reade, Erie County Retirees' Association
 Kathleen Smith, Erie County Retirees' Association
 Patricia Mattis, Erie County Retirees' Association
 Michael Butler, Erie County Retirees' Association
 Bernie Trejchel, Erie County Retirees' Association

Chairman Leone called the Erie County Employees' Retirement Committee to order at 12:04 PM in Room 114A, Erie County Courthouse. All members were present.

Chairman Leone called for hearing of the public. Ray Reade from the Erie County Retirees' Association spoke.

Ray Reade thanked the Retirement Board for their work in protecting and growing the Pension. Mr. Reade then stated how the retirees' have not received a COLA since 2008. Mr. Reade stated that in the past years COLA's were not approved because pension laws required the COLA to be retroactive to the last COLA. Mr. Reade stated that on Jan. 24, 2016 the law was changed to allow COLA to happen on a year by year basis, using the CPI and requires the plan to be 80% funded in order to receive the COLA. For 2016 the CPI would .3% and the Erie County Employee Pension Fund is currently 94% funded. Mr. Reade also stated that the cost to approve the COLA would be \$367,000. Mr. Reade requests for a COLA to be applied.

Chairman Leone asked for comments by the Board.

Mary Schaaf stated she had two comments. The first is that in October, the Board received the Pension's Actuary's annual report showing the cost of the post-retirement medical benefits for retirees who were hired at the County prior to 1992 is currently an accrual liability of \$49 million. There is no pot of money to pay for these benefits. Under The new GASB rules, the \$49 million liability, which was never before shown on the

County's liabilities is required to be shown on the County's financial statements this year. Currently the County pays \$3 million a year of taxpayer's dollars from the General Fund for these increasing retirees' medical benefits. Because it has not been on the financial statements previously so the County's bond ratings have not yet been affected. Generally, industry does pay Post-retirement medical benefits for retirees and their spouses so this is an unusual benefit.

Ms. Schaaf noted secondly that in the late 1990s the Board made a pension class upgrade change which increased your pensions. Then in 2007, the Board made the class upgrade increases retroactive all the way back to 1978. This was a big increase. Ms. Schaaf also noted when contacting other counties in Pennsylvania, majority stated their county has not issued COLA's in many years and will not issue a COLA until their County pension is over 100% funded. It is a matter of economics. Erie County's population is decreasing and jobs are leaving while taxes are going up. Ms. Schaaf also stated that the county's annual contribution to the Pension was \$ 4.3 million this year and the Annual Required Contribution is projected to increase to \$4.5- \$4.7 million next year. We need to look at the COLA in the context that there is only so much money to go around. We appreciate all the hard work of the County retirees while they were County employees but they are receiving benefits in retirement that do not exist out-side of government.

Chairman Leone stated that council had to increase taxes .25 mills because the County was short \$3.9 million for the budget year. Chairman Leone states that because of the five year smoothing process used for the pension he estimates that the pension is currently \$20 million short and the country will be placing close to \$5 million into the pension this year.

Chairman Leone asks if any other members wish to speak. None did

Chairman Leone called for vote for the approval of 10-20-16 meeting minutes, approval was unanimous.

Chairman Leone called for the report of Morrison Fiduciary Advisors. Mr. Burnette stated the economy is reaching a point where unemployment numbers are under 5% and in skilled position there is a little more demand than supply causing a small uptick in wages. Some areas are seeing wage increases upwards of 4%. Mr. Burnette states that the growth in GNP is approaching 3% and for the first time in 18 months he is seeing growth in corporate profits.

Mr. Burnette states that this year is better than 2015 when the return was 1-2% and this year as of 9-30-16 the fund is up 6% and the fund is looking to grow another 1.5% in the final quarter of 2016. There are no recommended changes for the investor policy statement. They will review the statement again next year. The MLP sector has been improving. The asset allocation is currently not aggressive in that only 55% of assets are in equities. He states that 13 % of assets are in real estate and the Energy Master Limited Partner Pipeline investments. Fixed Income accounts for 32% of assets. Mr. Burnette projects the Fixed Income returns to be under 3 %.

Mr. Burnette turned the floor over to Golden Capital, which reported that the 3rd quarter had a return of 3.86% net of fees which out performed the benchmark. Golden Capital has out performed the benchmark 17 out of the last 20 years. Golden Capital reports that since inception in April 2016 returns have equaled 7.61%.

Chairman Leone asked the board for any questions or comments for Golden Capital. No one spoke

Mr. Burnette turns the floor over to Dan Hoover from Bank of Montreal, Mr. Hoover states that fund has meet their goals for this year generating \$200,000 of income on an annual basis from securities lending. This income is generated from short-term investments made with the collateral from the borrowers of our securities. \$70,000,000 is the amount of the County's securities in the lending program. BMO invests the cash received as collateral in a 2 A-7 portfolio.

Mr. Sparber asked if the \$200,000 is represented in the total return of the pension fund, Mr. Burnette stated yes that it shown on the income line.

Dr. Foust motioned to approve a disability retirement. It was approved unanimously.

Chairman Leone opens the floor for a motion to approve a COLA for retirees. Dr. Foust asked to open a discussion about the COLA and stated that he understand Ms. Schaaf's concerns about funding. He finds Frank Burnette's report encouraging and he believes with the costs of this year's COLA being manageable. He believes this would be a good year to give a COLA. Dr. Foust states that he is not for giving a COLA every year but only periodically.

Chairman Leone questions how much the .3% increase would really help the retirees' but encourages the members to give their opinions

Mr. Sparber states that the economic looks positive and that he believes that with this COLA being on .3% now would be a good time to pass a COLA.

Dr. Foust motioned to approve a .3% COLA, Mr. Horton seconds, Chairman Leone calls for roll call vote:

Mr. Sparber- Yes

Dr. Foust- Yes

Mr. Horton- Yes

Chairman Leone- Yes

Ms. Schaaf- No

Dr. Foust motioned to leave the employees interest rate at 4%, Mr. Sparber seconds, Chairman Leone calls for roll call vote:

Mr. Sparber- Yes


Dr. Foust- Yes

Mr. Horton- Yes

Chairman Leone- Yes

Ms. Schaaf- Yes

Motion for adjournment at 12:44 PM.


Mary E. Schaaf, Secretary

Erie County Employees' Retirement Board

Pleasant Ridge Manor Employees' Retirement Board

deb