

**Actuarial Meeting
Erie County Employees' Retirement Board**

October 19, 2017

Members present: Fiore Leone
Dr. Kyle Foust
Andre Horton (Via Conference Call)
Mary E. Schaaf
James Sparber

Also present: Cindy Marzka, Northwest Retirement Services
Don Boetger, Northwest Retirement Services
Frank Burnette, Morrison Fiduciary
Sue Ellen Pasquale, Finance
Ray Reade, Retirees Association.
Bill Amick, Retirees Association
Mark Orlop, County Controller's Office
Daniel Bayletts, County Controller's Office

Chairman Leone called the Erie County Employees' Retirement Board to order at 12:08 PM in Room 114A, Erie County Courthouse. All members were present with Mr. Horton available by phone.

Chairman Leone called for hearing of the public. Retiree Bill Amick thanked the board for doing a good job and keeping administration fees low.

Chairman Leone called for vote for the approval of the special meeting held on 10-10-2017, approval was unanimous.

Chairman Leone called for the report of Morrison Fiduciary Advisors. Mr. Burnette stated that he would give his report after the actuarial report and turned the floor over to Cindy Marzka from Northwest Retirement Services. Ms. Marzka stated that the Annual Required Contribution for 2017 by the County was \$4.6 million and the plan is 94% funded.

Ms. Marzka stated based on assumed interest rate of 7.5% and a salary increase of 3% the ARC for 2018 is \$4.4 million to \$4.7 million. Ms. Marzka also stated that the new Employee Pay Plan to be implemented in January 2018 will increase the ARC approximately \$300,000.

Ms. Marzka stated that the Consumer Price Index (CPI) for the 12 month period ending 8/31/17 is 1.4%. Granting a COLA to retirees that would increase the Pension's Accrued Liability by \$1.8 million which would be shown as an expense on the County's Financial Statements.

Ms. Marzka stated every two years they are required to report on the County's Post-retirement health benefits which in 2015 these benefits represent a liability to the County of almost \$50 million.

Chairman Leone asked if the health benefits were affecting the ARC, Ms. Marzka stated no, that the Post-retirement medical benefits were separate expenses.

Ms. Schaaf asked if the retirees' medical cost would be part of the annual County budget. Ms. Marzka stated yes. Sue Ellen Pasquale, Finance Department, stated that the County pays that premiums on an annual basis, Ms. Schaaf asked how much the health benefits will cost for 2018. Ms. Pasquale did not have the numbers with here and would send them to the board via e-mail. Ms. Schaaf recalled that it is approximately \$3,500,000 per that the taxpayers pay for retirees' hospitalization.

Chairman Leone asked the Board if they had any more questions for Ms. Marzka, but they did not.

Mr. Burnette turned the floor over to Donald Graham from Franklin Templeton; Mr. Graham stated that value style portfolios have lagged behind growth style portfolios lately. Mr. Graham stated that currently they have been moving funds from Northern Europe to Asian Markets because they see value you in Asia. Mr. Graham stated that he believes the fees charged by Templeton are fair for active management.

Chairman Leone asked the Board if they had any questions, they did not.

Mr. Burnette stated that the asset allocation of the Fund is weighted 60% equities, 27% fixed income, 13% non-traditional investments. Mr. Burnette states that he would like to bump up the International sector by reducing the Large cap sector and will be sending out an email to rebalance the equity investments.

Mr. Burnette asked Ms. Schaaf if everyone has completed their Conflict of Interest disclosure statement. Ms. Schaaf stated that Mr. Horton has not completed his. The Controller's Office will follow up to get the form signed.

PNC's lead fixed income manager has resigned. We will continue to watch their performance.

Miller Howard is performing as expected even though the market value of the securities are below value. This firm is still on watch status.

Mr. Burnette stated the review of the manager fees is completed. Boston Advisors reduced their fee from 60 bp to 50 bp. Wells Fargo Small Cap reduced fee by 10 bp to 70 bp.

Ms. Schaaf reminded Mr. Burnette that the Board needs to approve the Boston Advisors contract in which Boston Advisors is disclosing that they are sharing part of their management fees with a local representative due to that advisor's referral of the Erie County Plan to Boston Advisors. A form needs to be signed stating that the Board approves this sharing arrangement. Atty. Talarico reviewed the contact and approved. Chairman Leone protested. Mr. Burnette stated that this is an SEC requirement that the client agrees.

Chairman Leone opens the floor for a motion to approve of this disclosure agreement to the Boston Advisors contract.

Dr. Foust moves to approve the changes, Mr. Sparber seconds.

Mr. Sparber stated the arrangement is for the local advisor to receive 41.5% of the fee which is 50 bp.

Chairman Leone calls for a roll call vote:

Mr. Sparber- Yes

Dr. Foust- Yes
Chairman Leone- Yes
Mr. Horton- Yes
Ms. Schaaf- Recused

Mr. Burnette states that he would like a motion to approve the new amended contract with fee schedule reduction for Wells Fargo.

Dr. Foust moves to approve, Second by Mr. Sparber.

Chairman Leone calls for a Roll Call Vote:

Mr. Sparber- Yes
Dr. Foust- Yes
Chairman Leone- Yes
Mr. Horton- Yes
Ms. Schaaf- Yes

Mr. Burnette presented a recommendation that the Board should replace Franklin Templeton with 2 DFA international equity funds due to Templeton's fee. The fees would drop from 70 basis points to about 40 bp. This reduction in fees would save the fund \$45,000 a year. He presented an analysis of performance and fees which included Vanguard funds.

Ms. Schaaf asked if the returns presented were net of fees, Mr. Burnette confirmed they are net of fees. Ms. Schaaf also asked if they were moving from value style to value style and Mr. Burnette confirmed.

Dr. Foust moves to approve the termination of Franklin Templeton. Second by Mr. Sparber.

Ms. Schaaf states we look at the total of performance and cost.

Chairman Leone calls for a Roll Call Vote:

Mr. Sparber- Yes
Dr. Foust- Yes
Chairman Leone- Yes
Mr. Horton- Yes
Ms. Schaaf- Yes

Mr. Burnette stated that the consultant looked into the PNC custody agreement. Mr. Burnette stated that Ms. Schaaf asked if the PNC custody structured in a way that we are not picking mutual funds that shared revenues with PNC. Mr. Burnette stated that the answer is no because the PNC relationship is a fiduciary one not a brokerage relationship. We are open to any mutual fund. Ms. Schaaf stating that she was hoping that we did have a possibility of receiving monies which are called soft dollars to help pay the custody costs to the benefit of the Pension but not any broker or institution. Mr. Burnette stated that administrative support dollars or soft dollars are received in a different class than the mutual fund class that we use with lower fees. It is a common practice in Defined Contribution plans not Defined Benefit.

Mr. Burnette stated he would take any questions on the Private Equity Presentation from the previous meeting. No members had any.

Chairman Leone asked for a motion to approve a disability pension which Atty. Talarico had reviewed.

Dr. Foust mentioned, Mr. Horton second.
Chairman Leone calls for a Roll Call Vote:
Mr. Sparber- Yes
Dr. Foust- Yes
Chairman Leone- Yes
Mr. Horton- Yes
Ms. Schaaf- Yes

Motion for adjournment at 12:46 Pm

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

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

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