

**SECOND QUARTER MEETING
ERIE COUNTY EMPLOYEES' RETIRMENT BOARD**

May 17, 2018

Members present: Mary E. Schaaf
Dr. Kyle Foust
Andre Horton (Arrived at 12:10PM)
James Sparber

Also present: Cindi Marzka, Boetger
Deanna Helmbreck, PRM
Melissa Goncza, PNC
Tony Keim, PNC
John Weasler, BMO
Keith Thompson, Miller Howard
Mark Orlop, County Controller's Office
Daniel Bayletts, County Controller's Office

Vice Chairman Foust called the Erie County Employees' Retirement Board to order at 12:08 PM in Room 114A, Erie County Courthouse. Chairman Leone was absent.

Vice Chairman Foust called for hearing of the public. No one spoke

Vice Chairman Foust called for motion to approve the minutes from the 2-15-18 meeting and the 3-28-18 meeting, they were approved.

Vice Chairman Foust turned the floor over to Frank Burnette from Morrison Fiduciary. Mr. Burnette stated that asset allocation of the fund balance is currently 59% Equities, which is 9% overweight; he would like to bring that overweight down. Fixed Income is 27% and has a target 37%, Mr. Burnette states that traditional Fixed Income currently has a negative return so being underweight in Fixed Income at this time makes sense. The fund currently has 11% in real estate. Bentall Kennedy has projected returns of 6-7% and the Boyd Watterson GSA account is projected at 8-9%. Miller Howard MLPs accounts for 3% of the fund and will talk with us today.

The total Fund's 1st QTR return was -.76% and the benchmark was -1.26. The April returns are close to breakeven. Morrison Fiduciary did an analysis for the actuary with projected returns from JP Morgan, State St. and Wilshire, and after expenses and active management the projected return was 6.86% based on our asset allocation adjusted or expenses and active management. Mr. Burnette found this number to be higher than average from other plans doing the same exercise. The belief is that actuarial assumed returns are inching down. In November, we did hear from Private Equity and Debt managers. We will continue to talk about it.

Mr. Burnette says BMO Security Lending will be the first presentation and that when the Board agreed to the Security Lending that the return would be roughly \$225,000 a year. Instead, currently with low rates, we are only getting \$10,000 a month, with such low returns the board may have to take a break from the Security Lending until the rates level out. Mr. Burnett turns the floor over to John Weasler from BMO.

Mr. Weasler states that with federal interest rate hikes the lending spread narrows, and revenue is now lower than it was for the first year and a half. Other causes of lower income is due to securities which the fund holds are not in demand and decrease in lendable securities due to the liquidation of the Templeton account. The return to fund last year was approximately \$ 100,000.

Mr. Burnett asked Mr. Weasler asked about the total market value and market value appreciation, and what the range has been in that and if we have ever broke a dollar. MR. Weasler stated that it has been slightly above a dollar a majority of the time, Last month it was below at 99.99 cents, due to market volatility.

Mr. Burnett states he will keep an eye on this investment and that the fund may have to stop participating in the fund due to the returns not being worth it. The fund can stop participating for 6 or 12 months and participate again once it makes economic sense.

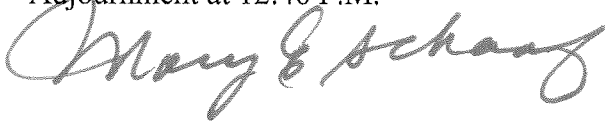
Mr. Burnett turns the floor over to Keith Thompson of Miller Howard, at the end of the last quarter the returns were (8.8%) outperforming the bench mark by a couple hundred basis points. As of 5-16-18 the account is up 3.6 % outperforming the benchmark by 300 basis points. With changes in regulations the market is seeing changes with some MLPs converting to C corps. The United States is currently producing 10 million barrels of crude a day whereas 10 years ago production was 4.5 to 5 million barrels a day.

Mr. Burnett states there is anomaly he cannot explain. The Total Fund's 1 & 2 year returns were 9.42 % and 10.81% with the benchmark returns lower than them, yet the rankings are less than 50%. He will confirm. Mr. Burnett states that the split between active management and index funds seems to be working well. Large cap managers are now performing and International Markets are doing well. Boyd Watterson and PNC fixed income were down (1%) with Short Term Bond Fund was also negative. Real Estate Fund was up 7% and close to the benchmark. The Boyd Watterson Real Estate returns are around 10%. Miller Howard is disappointing but coming along. The fund has been consistently above the benchmark for the last two years

Ms. Schaaf asked how much money the fund put into the Miller Howard Fund. Mr. Burnett stated 10 Million dollars. Miller Howard is currently at 8.5 Million dollars. She noted that Wells Small Cap equity ranking were not listed.

Vice Chairman Foust calls for a motion to adjourn.

Adjournment at 12:46 P.M.

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 Committee
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