

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

MAY 17, 2012

Members present: Fiore Leone, Chairman
 Mary E. Schaaf, Secretary
 James Sparber, Member

Members absent: Joseph Giles, Vice-Chairman
 Ronald "Whitey" Cleaver, Member

Also present: Tony Keim, PNC Bank
 Cindi Marzka, Boetger & Associates
 Deedra Pfeffer, Pleasant Ridge Manor
 Jim Uriah, FNB
 Kevin Plymyer, FNB
 Maryanne Riazzi, Pleasant Ridge Manor
 Deanna Holtz, Pleasant Ridge Manor
 Tom Dattilo, Emerald
 Karen Dorich, Employee
 Doug Ebert, AFSCME
 Marie Lewis, Controller's Office
 William F. Amick, Controller's Office
 Bob Bulas, Morrison Associates
 Frank Burnette, Morrison Associates

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

Chairman Leone called for the hearing of the public. No one asked to speak.

Motion to approve the minutes for the First Quarterly and Reorganization Meetings held February 9, 2012 and the Special Meeting held on March 2, 2012 made by Ms. Schaaf, seconded by Mr. Sparber and carried unanimously.

Mr. Leone quoted Public Retirement Plan statistics across Pennsylvania. He noted there is a large problem in pension values everywhere resulting in larger Annual Required Contributions. He noted that the ARC for Erie County this year is \$5.8 million plus which doesn't include the health benefits for retirees who qualify.

Mr. Burnette noted that the Erie County Retirement Plan is 94% funded.

Mr. Sparber stated that the key is a rising U.S. economy producing 6% to 7% annual growth.

Mr. Burnette thanked anyone and everyone on the Board who was involved in his firm being recently hired by Gannon University.

Frank Burnette of Morrison Fiduciary Advisors, Inc. gave the Erie County Employees' Retirement fund performance report. He spoke of the weak U.S. economy, European market difficulties, and the crisis in Greece. He expressed confidence that nothing is going on in today's market that the market hasn't already seen coming. He is reasonably comfortable where we are.

Ms. Schaaf referenced emails exchanged with Mr. Burnette in March regarding rebalancing by taking some money in equities off the table while the market was up the end of March. Since then the stock market has declined by about 800 points. She asked how long it would take the Board to react to implement rebalancing. Mr. Burnette stated the Board would be able to accomplish it in ten days. Mr. Leone stated that the Board could do emails and have a meeting right away. Mr. Burnette stated that we try to rebalance only once or twice a year and the market would have to be really overvalued to rebalance.

Mr. Sparber stated that he did not want to be the guy on the Titanic that optimistically said that the bow went down, but the stern went up.

Mr. Leone stated that the Board has set a policy and has a Consultant. He will go along with the Consultant's recommendation and let him make that particular decision. The Board should not make it.

The total account value is \$188,302,926 with 62% in equities versus a target of 55%. International equity weighting is the same as the Policy of 10%. The one year total return is 5.02% versus a 6.73% benchmark return.

Tom Dattilo presented the report of Emerald Advisors. Emerald Small Cap was the #1 manager in its style in the country for the quarter. The return for the quarter was 20.88% versus the Benchmark of 13.27%. He cautioned against expecting the same performance in the future. He stated that Act 96 mandates the annual required contribution be made by Erie County to the Pension. That is why we are 94% funded and other Pennsylvania cities who are not under ACT 96 are underfunded. He noted the Emerald Mid Growth return for the quarter was 18.48% versus 14.53% for the benchmark. Emerald Fixed Income as in line with the benchmark.

Frank Burnette stated that PNC Large Cap Growth had done everything we had asked since being placed on watch a year ago.

Tony Keim presented the report of PNC Advisors. For the quarter, PNC Large Cap was up 16.15% versus 14.69% for the quarter. The one year return was 2% ahead of the benchmark. The three year performance was a negative 2.67% to the benchmark.

Chairman Leone called for a motion to approve Resolution #1, 2012, authorizing the Board Secretary to retain securities in companies against which the Board initiates litigation.

Motion by Mr. Sparber, seconded by Ms. Schaaf to approve Resolution #1, 2012 and carried unanimously.

Adjournment at 12:56 P.M.

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

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