

RETIREMENT BOARD MEETING  
AUGUST 25, 2009

Present:	Commissioner	P. J. Stevens Milan Gjurich William Harris
	Controller	Ed Cernic, Jr. Toni Sherry
	Ameriserv	Mike Geiser
	Peirce Park	Michael Shone

Commissioner Gjurich called the meeting to order at 10:00 a.m.

Motion by P. J. Stevens to accept the minutes of the May 12, 2009, meeting.  
Second by Barbara Kline. Vote unanimous 5-0.

Public Comments-None

Announcements-None

Old Business-Brandes was put on watch at the last meeting. Michael Shone will address during the quarterly review.

New Business-Board went into Executive Session. From 10:10 a.m. to 10:18 a.m.  
Motion by P. J. Stevens to investigate the circumstances regarding the County's portion calculation under Act 96 and call a special meeting, if necessary. Seconded by Ed Cernic, Jr. Vote unanimous 5-0.

Ed Cernic, Jr. addressed the increase activity on retirement payouts that will be occurring during the next several months. He recommends that Ameriserv increase the cash on hand to between 2 ½ and 3 million dollars. Motion by Ed Cernic, Jr. Seconded by P. J. Stevens. Vote unanimous 5-0.

Ameriserv Report given by Michael Geiser. The fund value as of today is \$142,378,744.00. We are currently under weighted in Fixed Income and severely under weighted in Global Equities. Motion by Ed Cernic, Jr. to accept the Ameriserv report. Seconded by William Harris. Vote unanimous 5-0.

Michael Geiser also informed the Board that there is a standard sweep fee based on the average daily balance. The normal fee is 50 basis points and we were given a 25% decrease to 37 ½ basis points. It was brought to Ameriserv's attention that the account maintained for the cash on hand went below that mark so Ameriserv is decreasing

another 25% for a total reduction of 50%. They will go retroactive and refund the money.

Michael Shone gave the performance report. The stock market was down the first two months of the year and began to rebound around March 9, 2009. Since the investments were rebalanced we did better than most. On the equity side, the International was the big winner. On the bond side, high yield bonds did best and it was a good place to be for safety. One of the toughest decisions to make is how much risk are you willing to take for the reward. Interest rates have increased due to the concern about inflation. As interest rates go up, bond values go down which is the opposite of last year. Last year the spread between Treasuries and Corporate Bonds were up but the spread is narrowing. Historically value outperforms growth. We have seen the opposite over the last year but you have stayed with your plan and you have won more than you have lost by having more value stocks in your portfolio. The total fund is up 9.5% for this quarter and 9% year to date. Thornburg under performed last year but were up 29.77% in the second quarter and 20.7% for the year. Chase performs well in the down markets so they currently have a lot of under performance but are above for the long term and the volatility is very low. Once again risk versus reward. Michael does not recommend getting rid of Chase. We will continue to go forward with replacing Brandes and keep Evergreen on a watch list or discuss replacing them. Michael reviewed three companies for the search.

Michael Shone discussed the Asset Allocation Study. Of fifteen counties, based on the last five (5) year returns, Cambria County was tied for the top. It addressed risk, reward, lose of assets, and volatility. He stated that you should set goals and objectives and review them every year keeping in mind that you do not want to be too much risk nor be too conservative. Michael recommended 65 to 70% in stocks, 5% in real estate, 2% in cash and the balance to global. Motion by William Harris to accept the Asset Allocation Study. Seconded by P. J. Stevens. Vote unanimous 5-0.

Michael then proceeded with the global manager search. Michael recommended splitting the assets at Thornburg between two managers. Ed Cernic expressed his concern over the higher fees and the possibility of more global investments as opposed to international. A discussion then took place regarding the poor performance of Evergreen and Brandes. P. J. Stevens recommended dropping both Evergreen and Brandes. Motion by P. J. Stevens. Seconded by William Harris. Vote unanimous 5-0. A lengthy discussion followed as to how to redistribute the monies between the managers. Michael recommended American Funds and GMO as the two new global managers. Motion by P. J. Stevens to pull 7.5 million from Vanguard and Chase, take the monies from Brandes and Evergreen and split between Thornburg, American Funds and GMO giving all three approximately 14 million. Seconded by William Harris. Vote 4-1. Ed Cernic, Jr. opposed. (See attached distribution letter sent to Michael Geiser at Ameriserv.)

The Board decided to delay the Real Estate discussion until next meeting.

Motion by P. J. Stevens to amend the previous motion regarding the cash balance. The amount would be 2 million for cash on hand. Seconded by William Harris. Vote unanimous 5-0.

Meeting adjourned at 12:15 p.m.

Next meeting scheduled for Tuesday, November 17, 2009 at 10:00 a.m.