

RETIREMENT BOARD MEETING
SEPTEMBER 11, 2008

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

Commissioner Gjurich called the meeting to order at 11:00 a.m.

Motion by Bill Harris to approve the minutes of the May 13, 2008 and August 11, 2008 Special Meeting. Seconded by P. J. Stevens. Vote unanimous 5-0.

Public Comments-None

Announcements-None

Ameriserv report given by Mike Geiser. The value of the funds was down from \$161,485,219 to \$157,592,791. Some gains occurred but were outweighed by losses. The value of the checking account was \$179,800. Some rebalancing is going to be occurring. Motion by Ed Cernic to accept the Ameriserv report. Seconded by P. J. Stevens. Vote unanimous 5-0.

A presentation for Brandes was given by Robert Leirmore. Total assets were listed as 86.4 billion but they are down a little bit right now (U. S. portion). The company is located in California and is 100% employee owned affording the opportunity to make their own decisions rather than answering to a bank. Their investment process is to research a company from the bottom up. The committee meets once a week to discuss the analyst reports in depth. Michael Shone questioned the broad percentage range of 35 to 85 and asked where they currently are. Robert replied that right now it is more typically 55 to 70. Certain situations, such as broad markets can cause an opportunity that they can take advantage of. Their goal is to maximize the MOS (margin of safety) that allows them to better position the portfolio. Ed Cernic questioned that since the Board has allowed Brandes more flexibility, why has there not been better performance over the last four (4) months. Robert stated that it was due to energy and financials that have done very poorly since last August. Ed Cernic asked what the Board can expect in the future from Brandes and Robert said he was not sure due to the poor performance of

the financials. Michael Shone commented that Brandes' history is based on these wide deviations. When they are up, they are way up, but when they are down, they are way down. Ed Cernic stated that Brandes is paid the highest fees and has not been performing well for quite some time. Ed stated that Brandes missed the mark on energy for the past three (3) years. The Board is concerned of the impact it will have on the ARC for next year. Michael stated that their strategy is based on long-term and the key is to take money from them when they are out performing and give them more money when they are under performing. Michael Shone reiterated that we have taken approximately 17 million dollars from Brandes since their inception. Robert pointed out the most recent negative factors were Thrifts & Mortgage Finance, particularly Fannie Mae and Freddie Mac, as well as Commercial Banks and other select companies. He feels that in the long-term sector, the Commercial Banks could create a tremendous opportunity. Michael Shone stated that when Peirce Park came on board about three years ago, they cautioned the Board about Brandes. They are a deep value manager and when they are on, they are way on but when they are off, they are way off. The Board concurred that they should be put on notice, but to try and ride it out for now. Michael Shone will send a letter to Brandes.

A presentation for First National Bank was done by Sam Piccioni and Jeff Wagner. Sam thanked the Board for the opportunity of doing business in the investment sector. He then introduced Jeff Wagner, Chief Investment Officer. Jeff first discussed the management oversight structure. The Investment Policy Committee is comprised of an Investment Strategy Committee made up of a research group and a portfolio management group that reports to the President and Management Director. The investments are fixed income and are managed very closely to the benchmark. Jeff discussed the figures since 1996. Ed Cernic questioned if they included fees. Jeff said they were gross of fees and their normal basis points are between 20 and 30. Jeff then demonstrated what the portfolio would look like. It would be comprised of Government, Corporate and U. S. Treasury bonds. There would be two (2) Vanguard funds, one intermediate and one short term. The reason for this exposure is to make liquidity easier, there would be no commission to buy or sell. Their role would be to make decisions regarding the duration, quality, maturity range and issue type bets. We would be able to see exactly where we are and what kind of bets they are making. He reviewed a sample of the report that we would be receiving. Sam concluded with saying that the average basis points would be 21.5.

Michael Shone recommended that the Board consider taking the money from the Money Market account (since terminating Tattersall) and give to First National Bank. Michael likes their set-up, likes the way they manage money, they have a good track record and they are local. The basis points are a good price. Motion by Ed Cernic to move the \$21,434,533 from the money market account to First National Bank. Seconded by P. J. Stevens. Vote unanimous 5-0.

Michael Shone gave the Peirce Park quarterly review. Large cap equities were down for the second quarter by 2.7%. Small caps were up by .06% and International were down 1.9%. U. S. stocks are down. Ed Cernic questioned if any of our managers

are dealing in the merging markets. Michael wasn't sure, but noted that the merging markets are taking a hit right now. Vanguard is doing exactly what they were asked to do, value is currently outperforming growth. Chase has been doing very well, they are up 4.2% from last year. C.S. McKee, the bond side beat the benchmark. Brandes was discussed earlier in length and Michael agrees that they should be put on a watch list. Motion by Ed Cernic to move 9.626 million into Thornburg to rebalance the accounts and leave C.S. McKee where they are at. Seconded by Barbara Kline. Vote unanimous 5-0.

Motion by Bill Harris to go into Executive Session at 12:30 p.m. Seconded by P. J. Stevens. Vote unanimous 5-0.

The Executive Session ended at 12:35 p.m. The discussion was about evaluating the Consultant.

Meeting adjourned at 12:36 p.m.